

No. 15714

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

TALON, INC.,

Appellant,

vs.

UNION SLIDE FASTENER, INC.,

Appellee.

APPELLANT'S OPENING BRIEF.

LYON & LYON,
LEONARD S. LYON,
CHARLES G. LYON,

811 West Seventh Street,
Los Angeles 17, California,

Attorneys for Talon, Inc., Appellant.

McCOY, GREENE & TeGROTHENHUIS,
WILLIAM C. McCOY,

524 Bulkeley Building,
Cleveland 15, Ohio,

Of Counsel.

FILED

JUL 15 1958

PAUL P. O'BRIEN, CLERK



TOPICAL INDEX

	PAGE
Jurisdiction	2
Statement of the case.....	2
Short statement of major questions involved.....	3
First Question—Validity of Silberman '793.....	3
Second Question—Defendant infringes Silberman '793.....	5
Third Question—Defendant is not licensed under Silberman '793	5
Fourth Question—Plaintiff is not estopped to sue under Sil- berman '793	6
Fifth Question—Plaintiff stole nothing from defendant.....	6
Sixth Question—Unclean hands and the antitrust laws.....	7
Seventh Question—The award of attorney's fees.....	7
The invention of Silberman '793.....	8
Kind of product made on machine of Silberman '793.....	8
The Silberman '793 machine.....	9
No anticipation of Silberman.....	10
There are many other evidences of invention.....	11
Defendant infringes Silberman.....	12
Unclean hands and the antitrust laws.....	12
Quota license agreements.....	13
Intent and attempt to monopolize.....	16
A. The American agreement.....	16
B. The Los Angeles conference.....	17
Exhibit 7, Cap-Tin license agreement.....	18
Specification of errors.....	21

	PAGE
Argument.....	30
The Silberman patent is a valid patent covering a true combination	30
The Silberman patent in suit describes and claims an operative machine	34
The Silberman patent is not anticipated and involves invention over the prior art.....	38
Silberman is the sole inventor of patent No. 2,437,793.....	46
Defendant has no license under the Silberman patent.....	48
The plaintiff is not estopped to enforce its patent rights.....	51
Infringement	53
Plaintiff stole nothing from defendant.....	56
(a) The spring leaves used in Plaintiff's Exhibit 5 machine to carry the ram.....	58
(b) The lip on the closing jaw for clamping the zipper elements on the tape.....	59
(c) An ejector die on the cut off punch to prevent zipper elements bunching up.....	60
(d) No "V"-shaped ram as in the Silberman patent.....	60
(e) A device for providing spacing between sets of zipper elements	60
(f) The vacuum or suction device for removing metal chips	61
Unclean hands and the antitrust laws.....	61
The controlling law.....	61
Attempt to monopolize defined.....	63
Evidence before the court.....	65
American agreement	65

	PAGE
Los Angeles conference.....	66
Quota agreements not restrictive.....	66
No distinction over DuPont case.....	67
Exhibit 7, Cap-Tin license agreement.....	71
Introduction	71
Exhibit 7 agreement confined to fastener units manufac- tured under licensed patents.....	72
Even as misconstrued, Exhibit 7 license not illegal.....	73
The court erred in awarding attorneys' fees to defendant and the award is excessive.....	75
Conclusion	77
Appendices :	
Appendix I. List of Exhibits.	
Appendix II. Copy of Plaintiff's Exhibit 4.	

TABLE OF AUTHORITIES CITED

CASES	PAGE
Amercian Tobacco Co. v. United States, 328 U. S. 781.....	63
Anderson, Inc. v. Eastman, 16 Fed. Supp. 513.....	2, 39
Associated Plastics Companies v. Gits Molding Corp., 182 F. 2d 1000	76
Automatic Radio Mfg. Co., Inc. v. Hazeltine Research, Inc., 339 U. S. 827.....	74
Bourns v. Edcliff Instruments, 125 Fed. Supp. 503.....	39
Ciniotti Unhairing Co. v. American Unhairing Mach. Co, 115 Fed. 498	55
Cutter Laboratories v. Lypophile-Cryochem Corp., 179 F. 2d 80	62, 63
Day Brite Lighting v. Ruby Lighting Corp., 191 F. 2d 521.....	77
Dubil v. Rayford Camp & Co., 184 F. 2d 899.....	8, 77
Elizabeth v. Pavement Co., 97 U. S. 126.....	55
General Electric Supply Corp. v Maytag Co., 100 F. 2d 218.....	39
Great Lakes Equipment Co. v. Fluid Systems, Inc., 217 F. 2d 613	37
Hookless Fastener Co. v. G. E. Prentice Mfg. Co., 14 F. 2d 1014	15
Hookless Fastener Co. v. G. E. Prentice Mfg. Co., 18 F. 2d 1016	15
Hookless Fastener Co. v. G. E. Prentice Mfg. Co., 68 F. 2d 848	15
Hookless Fastener Co. v. G. E. Prentice Mfg. Co., 68 F. 2d 940	15
Hookless Fastener Co. v. G. E. Prentice Mfg. Co., 75 F. 2d 264	15
Hookless Fastener Co. v. Greenberg, 18 Fed. Supp. 296.....	15
Hookless Fastener Co. v. Greenberg, 98 F. 2d 1020.....	15
Hookless Fastener Co. v. H. L. Rodgers Co., Inc., 26 F. 2d 264	15
Hookless Fastener Co. v. Lion Fastener, Inc., 7 Fed. Supp. 87....	15
Hookless Fastener Co. v. Lion Fastener Co., 72 F. 2d 985.....	15
Hookless Fastener Co. v. Lion Fastener, Inc., 84 F. 2d 579.....	15

v.

	PAGE
Kurtz v. Belle Hat Lining Co., 280 Fed. 277.....	38
Lewt Corp. v. Health-Mor, Inc., 181 F. 2d 855.....	37
Modern Products Supply Co. v. Dranchenberg, 132 F. 2d 203....	37
Park-in-Theatres v. Perkins, 190 F. 2d 137.....	77
Reynolds v. Whitin Mach. Works, 167 F. 2d 78.....	40
Stearns v. Tinker & Razor, 220 F. 2d 49.....	33
Stebler v. Riverside Heights Orange Growers' Ass'n, 205 Fed. 735, cert. den. 231 U. S. 748.....	55
The Filtex Corporation v. Atiyeh, 216 F. 2d 433.....	37
Topliff v. Topliff, 145 U. S. 156.....	39
United States v. E. I. DuPont de Nemours & Co., 118 Fed. Supp. 41, aff'd 351 U. S. 377.....	67, 68, 70, 71
United States v. General Electric Co., 272 U. S. 476.....	65
United States v. Griffith, 334 U. S. 100.....	63
United States v. Line Material Co., 33 U. S. 287.....	65
Webster Loom Co. v. Higgins, 105 U. S. 580.....	34
Williams Iron Works v. Hughes Tool Co., 109 F. 2d 500.....	39

STATUTES

Sherman Act, Sec. 2	12, 61
United States Code, Title 28, Sec. 1291.....	2
United States Code, Title 28, Sec. 1292.....	2
United States Code, Title 28, Sec. 1338.....	2
United States Code, Title 35, Sec. 282(4).....	45

No. 15714

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

TALON, INC.,

Appellant,

vs.

UNION SLIDE FASTENER, INC.,

Appellee.

APPELLANT'S OPENING BRIEF.

This is an appeal from the judgment of the District Court for the Southern District of California (Carter, J.) dismissing an action for patent infringement [R. 193]. Judgment was entered on findings and conclusions [R. 172-193] based on a "Memorandum to Counsel" [R. 130-157], which is in effect a written decision by the trial judge. The judgment, besides dismissing plaintiff's complaint, also dismissed defendant's counterclaim under the Antitrust Laws, but awarded defendant \$20,000.00 in attorney's fees.

The case went to trial upon plaintiff's complaint of infringement of two patents, Poux No. 2,078,017 and Silberman No. 2,437,793 [Ex. 3, R. 1664]. Plaintiff-appellant has appealed herein from adverse judgment against both such patents, but in view of the fact that Poux No. 2,078,017 expired before trial, was held in-

operative and unworkable,¹ and but one single recovery could be had by plaintiff in any case, plaintiff-appellant hereby withdraws its appeal insofar as it relates to Poux '017 and presses its appeal solely on Silberman '793 and the award of attorney's fees. The issues are thus materially simplified.

Defendant has cross-appealed from the dismissal of the counterclaim.

JURISDICTION.

The complaint herein is for infringement of United States Letters Patent. Jurisdiction therein is founded on 28 U. S. C. 1338. Appellate jurisdiction of this court is based upon 28 U. S. C. 1291, and upon 28 U. S. C. 1292. Judgment was entered May 31, 1957. This appeal was taken June 21, 1957, within the statutory period.

STATEMENT OF THE CASE.

This action was instituted October 17, 1949 by the filing in the usual form of plaintiff's complaint for infringement of six Letters Patent of the United States [R. 3-7]. At a pretrial hearing on November 24, 1952, the complaint was dismissed as to four of the patents, leaving in issue only Poux No. 2,078,017 and Silberman No. 2,437,793 [R. 98-99]. The judgment of the District Court held both of these patents invalid and not infringed [R. 193]. It also dismissed a counterclaim under the Antitrust Laws which is the subject of a cross-appeal. While dismissing the counterclaim for failure

¹Acquiescence in a holding that Poux '017 is inoperative also removes it as a prior art reference against Silberman '793. An inoperative patent is not a prior art reference. *Anderson, Inc. v. Eastman*, 16 Fed. Supp. 513, and cases cited *infra*, page 39.

of defendant to prove damage, the District Court held plaintiff to have violated such laws and to be therefore barred from enforcing its patents on the misuse doctrine [Conclusions of Law VIII, IX, X, XII, XIII, XV, R. 190-192].

Since plaintiff-appellant has abandoned its appeal as to Poux '017, this case now involves only the issues of validity and infringement of Silberman '793, and the antitrust and patent misuse issues, and the award of attorney's fees.

SHORT STATEMENT OF MAJOR QUESTIONS INVOLVED.

First Question—Validity of Silberman '793.

The first and most important question presented on this appeal is the validity of Silberman patent 2,437,793, for "Zipper Manufacturing Machinery," hereafter referred to as "Silberman '793."

The lower court found that plaintiff's proofs failed to show that a machine of the claims in issue of Silberman '793 ever operated [Finding XX, R. 181]; that the claims contain machine elements shown in the prior art, particularly Sundback patent 1,331,884 [Finding XI, R. 177]; concluded as a matter of law that the patent is invalid as being an aggregation and not a patentable combination and that plaintiff's proofs failed on the issue that the machine of Silberman '793 ever operated [Conclusion II, R. 189]; and found that Silberman was not the sole inventor because the claims in issue were at least in part, the work of Havekost [Finding XXVI, R. 182]. (Specification of Errors III and XXIX.) There is no finding of fact that Silberman was anticipated by the prior art or does not

involve invention over the prior art. The erroneous finding of inoperativeness apparently dominated the conclusion that there was an aggregation and not patentable combination in the Silberman claims in issue.

Finding XX [R. 181], that plaintiff failed to show that a machine of the claims in issue of the Silberman '793 ever operated is clearly erroneous. Defendant's president, Phillip Lipson, a witness fully accredited by the lower court [Finding XXI, R. 181], unequivocally testified that machines which were operated and used in production by California Slide Fastener Company were "identical" with the Silberman patent, in suit [R. 774, 775, and 802]. Other witnesses confirmed these essential facts. There is no substantial evidence in support of this erroneous Finding XX.

The conclusion of the lower court that:

"Silberman patent No. 2,437,793 is invalid in view of the prior art as being an aggregation and not a patentable combination bringing about a new result and *plaintiff's proofs failed on the issue that the machine of Silberman '793 ever operated*" [Conclusion II, R. 189; emphasis ours],

obviously was predicated on erroneous Finding XX. We will show that Silberman '793 brought about a new result and meets every test for a patentable combination and that there is no anticipation.

Finding XXVII [R. 182] that Silberman was not the sole inventor of the claims in issue of his '793 patent and that the invention was, at least in part, the work of Havekost is clearly erroneous. Havekost testified by deposition [R. 1477]. According to Havekost's own admissions, his

work for Silberman terminated several years before the application for the Silberman patent was filed, it concerned a Conmar type of machine and had nothing to do with the machine described and claimed in the Silberman '793 claims in issue. The court so found at one time [R. 1145-1146].

Second Question—Defendant Infringes Silberman '793.

Infringement of Silberman '793 is obvious if the patent is valid. The Court was in error in concluding as a matter of law that the use of the claimed combination of Silberman to make a square shouldered zipper element avoided infringement. During the trial the Court determined that infringement was not an issue as to Silberman '793 if the claims in suit were valid [R. 340, 343] and defendant so conceded as to this patent [R. 343].

Third Question—Defendant Is Not Licensed Under Silberman '793.

The defense of the verbal license to defendant from Silberman [Finding XXII, R. 181, and Conclusions III and VII, R. 189] must fail because the two witnesses for defendant whose testimony covered the alleged events show conclusively that, although Silberman in effect said to defendant that if defendant refrained from selling machines in Europe, he (Silberman) would not sue for infringement in the United States, one witness for defendant testified that no agreement was made and the other (Mr. Lipson) made a counter offer that was not accepted. To this the District Court once agreed [R. 1141]. This Finding XXII [R. 181] and Conclusions III and VIII [R. 189], are clearly erroneous.

Fourth Question—Plaintiff Is Not Estopped to Sue Under Silberman '793.

The defense of estoppel is based on an alleged statement by plaintiff's Vice President, McKee, on inspecting defendant's plant on April 15, 1948 that he saw no infringement of patents then owned by plaintiff [Findings XV, R. 179, and XXIII, R. 182, and Conclusion VII, R. 189]. Plaintiff acquired Silberman '793 one year later. Plaintiff denies that any such statement was made, but, in any event, defendant's president Lipson testified that he placed no reliance on such statement *and again* the District Court so decided at one time [R. 1141].

Fifth Question—Plaintiff Stole Nothing From Defendant.

The District Court found that plaintiff used its inspection of defendant's machinery to learn of improvements made by defendant and used such improvements without compensating defendant [Findings XII, R. 177, and XXXXVI, R. 187, and Conclusions VII, R. 189, and XI, R. 191]. We will show that these findings and conclusions are clearly in error. Talon's Vice President McKee spent around one-half hour in Union's plant on April 15, 1948. Union's president Lipson testified that the improvements in question were not made until 1949 which was one year after McKee's visit. Furthermore, each of the specified "improvements" was old in the prior art of record. Other of the specified improvements never were used by defendant. Other evidence shows the clear error in these findings and conclusions and there is no supporting evidence.

Sixth Question—Unclean Hands and the Antitrust Laws.

The sixth question is whether plaintiff intended and attempted to monopolize a substantial part of the zipper market so that said intent and attempt, coupled with the quota licenses, constituted misuse of the patent in suit. We will show that the District Court committed clear legal error in finding an intent and attempt to monopolize the zipper market on the basis of a 1934 agreement and an inclusive conference held in Los Angeles on September 29, 1949. Where a monopoly is found to exist, an intent and attempt to monopolize is readily presumed. In the instant case, however, no monopoly was found to exist and the intent and attempt to create one should be proved and not, in effect, presumed as did the District Court.

A related question is whether Exhibit 7 constitutes a misuse of Silberman '793 and ties in unpatented with patented art. We will show that the District Court misconstrued Exhibit 7 but that, even as so misconstrued, there is no illegal extension of the patent monopoly.

Seventh Question—The Award of Attorney's Fees.

The District Court found that plaintiff considered the validity of Poux 5107 and Silberman '793 to be questionable and that the present action was brought by plaintiff in bad faith [Findings XXXXIII and XXXXV, R. 186]. We will show that these findings are clearly erroneous. There is nothing wrong with plaintiff's having settled previous suits on the Poux Patent, and as to Silberman, Talon acquired title only shortly before this action was filed.

There was no bad faith on the part of the plaintiff and, therefore, this is not a proper case for the award of attorneys' fees in any amount.

In any event, the award of \$20,000 is clearly excessive in view of the circumstances of this case.

Dubil v. Rayford Camp & Co., 184 F. 2d 899.

THE INVENTION OF SILBERMAN '793.

Kind of Product Made on Machine of Silberman '793.

The product made on machines of the kind here on appeal is illustrated in Defendant's Exhibit AX, a short length of "zipper chain" made on the accused machine. Two of these zipper chains are combined with a slider to make a conventional zipper.

The interlocking elements that serve to lock the two zipper chains together are the series of tiny metal "zipper elements," each of which has a projection on one side and a recess on the other. The projections and recesses of the zipper elements on one chain interlock with the recesses and projections on the other chain to hold the two chains together when the zipper is closed. These zipper elements must be made with great precision, be equally spaced a precise distance from each other, and be firmly clamped in perfect alignment on the edge of the fabric tape at high speed and very low cost in order to have a commercially acceptable product. Faulty spacing of the elements on the tape, or failure to align all elements on the tape, or failure to firmly clamp each element in place, produces unsatisfactory zippers. The precision essential to the making of these minute zipper elements and the need for precision of attachment to the tape have long been recognized as major problems in the zipper industry.

The Silberman '793 Machine.

Silberman '793 was prepared in detail from a completed machine for making zipper chain [R. 1038-1039, 1046]. It includes ten sheets of drawings showing 69 figures. In order to facilitate its consideration we have reproduced Plaintiff's Exhibit 4 in Appendix 2 to this brief. Plate 1 of Exhibit 4 presents a breakdown of claim 40 of Silberman '793 into its machine elements. Colored lines extending to the corresponding machine element shown in Plate 2. Plate 2 shows in perspective and in greatly enlarged skeleton form, the claimed elements of Silberman '793, separately colored, and their relationship to each other. Plate 3 shows the corresponding elements of the accused machine.

In the machine of Silberman '793 as illustrated in Plate 2 of Exhibit 4, the (green) fabric tape is moved vertically through the machine by the (brown) tape feed. The (pink) metal strip 15, from which the zipper elements are formed and applied to the (green) tape, is gripped by a pair of (blue) feed rollers 14 and fed forward to a position where the legs on the advancing end of the metal strip 15 straddle the corded edge of the (green) tape. The vertically reciprocating ram (indicated by the heavy red line 10) and the base of the machine (indicated by the broken black bottom line), carry complementary (orange) punch and die elements 11 and 16 that start to form the projection on the top side of the (pink) metal strip and the recess in the underside of the strip at about the same time that the upper and lower parts of the (orange) cut-off die 12 and 17 start to separate the end zipper element (darker pink) from the metal strip 15. At about the same

time the (yellow) clamping blades 18 that slide horizontally on the base, are actuated by (purple) cams 13 on the ram 10 of the machine, to clamp the legs of the end zipper element around the beaded edge of the (green) tape.

Thus, in the operation of the machine, the metal strip is firmly gripped between the feed rollers 14 and between the projection and recess forming punch 16 and die 11 while the clamping blades 18 clamp the zipper element on the tape and the cut-off dies 12 and 17 act to separate the end zipper element from the metal strip 15, all working together during the downward movement of the ram to always hold the end zipper element in correct register with the tape until it is accurately clamped in position on the tape and severed from the metal strip.

This is a new mode of operation performing new functions and accomplishing new and very important results never before successfully performed in a zipper manufacturing machine.

Nowhere in the prior art do we find this cooperative relationship of machine elements in any arrangement that performs this mode of operation or employs the feed rolls, dies, cut-off and clamping-on tools, operating together, to completely form and apply a zipper element to the tape while the element is still a part of the metal strip and under complete control during the entire operation.

No Anticipation of Silberman.

This matter is dealt with in detail as to each prior art reference under our argument and will not be repeated here.

There Are Many Other Evidences of Invention.

The evidence shows that the machine of plaintiff's prior art Sundback patent 1,331,884 [issue in 1920, R. 1724], primarily relied upon by the lower court as showing some of the machine elements used in the claimed combination [Findings XI, R. 177, and XIV, R. 179], was commercially used by plaintiff but was superseded by a second Sundback machine made under plaintiff's later Sundback patent 1,467,015 [issued in 1923, R. 1690 and R. 481-482]. This second Sundback machine operated to individually form and separately attach 600 zipper elements to the fabric tape in one minute and it was later improved to a point where it would attach 800 zipper elements per minute [R. 469 and 482]. This second Sundback machine separately formed each zipper element from wire previously rolled to a "Y"-shape and separately attached each such element to the fabric tape.

Other concerns in the industry, particularly Conmar Products Corporation, used one machine for making a long length of connected zipper elements and a second machine for separating them from the string and separately attaching them to the tape. The District Court characterized this kind of prior art machine in the following language:

"At the time of Poux '017, there were machines in use which formed the individual zipper elements and other machines which attached them to the cloth tape. This necessitated costly and precise handling of the individual and separate zipper elements and it was difficult to properly set them on the tapes . . ."
[Finding VII, R. 174.]

This finding applies to most of the prior art here of record.

Plaintiff continued to exclusively use this second type of Sundback machine until the machine of Silberman '793 patent in suit came along. It then proceeded to substitute the Silberman machines for the improved second Sundback machine [R. 481-486].

Defendant Infringes Silberman.

On the question of infringement, the substantial error complained of is that the lower court predicated his finding of noninfringement on an erroneous conclusion as a matter of law that since defendant's machine produced square shouldered zipper elements instead of the round shouldered elements shown in the patent in suit, defendant avoided infringement. The court at one time indicated that there was no serious question of infringement [R. 340; Specification of Errors IV, R. 1599].

Claim 40, reproduced in Appendix 2, is typical. We will elaborate under the argument as to infringement, but we should note here that several times during the trial the District Judge indicated that there seemed to be no issue as to infringement and we think infringement is obvious.

UNCLEAN HANDS AND THE ANTITRUST LAWS.

The District Court based its finding of unclean hands on the so-called quota license agreements coupled with an intent and attempt to monopolize in violation of Section 2 of the Sherman Act. The Court also found that one agreement, Exhibit 7 which is the Talon-Cap-Tin-Silber-

man license agreement dated July 16, 1945, tied in unpatented with patented art when the licensee exceeded its quota of production provided for [Finding XXXVIII, R. 185].

Quota License Agreements.

While Talon had quite a few outstanding license agreements, only the so-called quota agreements were relied upon by the Court in support of its finding of misuse.

In the so-called quota agreements, Talon granted licenses under Talon's patents relating to slide fasteners and the methods and manufacture thereof which were royalty-free up to a certain quota and then involved a royalty on the net sales price of fastener units sold over the quota. The over-the-quota royalty rate was generally 5% or less although in one instance it was 15% [Ex. 11]. In return for this license, Talon received a royalty-free license under certain of the licensee's slide fastener patents. All quotas and royalties were based on products made on machines and processes licensed under Talon's patents. The royalty-free quotas were set very high. Only once did a licensee, Conmar Products Corporation [Ex. 11], ever approach and exceed its quota, and then it was excused from paying royalties thereon by mutual agreement [R. 598, 676] and a new royalty-free license was executed [Ex. 12].

Any implication from Finding XXXIV [R. 184] that some licensees paid royalties to Talon under these agreements is not correct and has no support in the record. When the licensee did not cross-license Talon or give it something of value, Talon negotiated a straight license agreement [R. 609.] Such straight license agreements are

not questioned and Talon did receive royalties from them. Union is not and never has been a party to any type of license agreement with Talon.

There are no provisions in these license agreements which directly or indirectly prohibit or discourage production of fastener units on unlicensed machines or by unlicensed methods so as to constitute an unlawful extension of the scope of the patent monopoly and there is no finding that the agreements themselves constitute misuse. The licensees were free to use any non-infringing methods or machines that they wanted to without incurring an obligation to Talon under its license agreements. Most of the quota license agreements even contain a provision similar or identical to paragraph 10 of the Conmar agreement [Ex. 11] which reads:

“Nothing in this agreement contained shall be construed to obligate licensee to use at any time the method or methods covered by this agreement to the exclusion or disadvantage of any other method available to licensees.”

Except for Exhibit 7, the Silberman '793 patent here on appeal was not involved in any of these quota agreements because it was not owned by Talon when these agreements were executed. In Exhibit 7, Talon received a license under Silberman '793 from David Silberman instead of vice-versa, Exhibit 7 having been executed prior to the assignment of Silberman '793 to Talon. David Silberman, the third party to the Exhibit 7 agreement, is the inventor of Silberman '793. The Poux patent, now expired and not included in this appeal, was one of the patents licensed in the quota agreements.

In general, these agreements were in settlement of patent litigation or threatened litigation by one or both of the parties. While Talon is disposed to settle litigation, it has also prosecuted its suits to conclusion when settlement could not be effected and it has not been afraid to subject its patents to judicial determination. Furthermore, its record in the Courts is impressive in that claims of many of its patents have been considered on their merits and found valid.*

*One or more claims of each of the following patents, which were owned by Talon or Hookless Fastener, the prior name of Talon, have been found valid by District Courts and/or Courts of Appeals:

1,219,881	1,557,381
1,243,458	1,566,996
1,302,606	1,598,183
1,331,884	1,661,144
1,322,650	1,813,433
1,467,015	

The cases involving the above listed patents are reported as follows:

- Hookless Fastener Co. v. G. E. Prentice Mfg. Co.* (D. C. Conn., 1926), 14 F. 2d 1014;
Hookless Fastener Co. v. G. E. Prentice Mfg. Co. (C. C. A. 2, 1927), 18 F. 2d 1016;
Hookless Fastener Co. v. H. L. Rodgers Co. Inc. (D. C. S. D. N. Y., 1928), 26 F. 2d 264;
Hookless Fastener Co. v. Lion Fastener Inc. (D. C. W. D. Pa., 1933), 7 Fed. Supp. 87;
Hookless Fastener Co. v. G. E. Prentice Mfg. Co. (C. C. A. 2, 1934), 68 F. 2d 848;
Hookless Fastener Co. v. G. E. Prentice Mfg. Co. (C. C. A. 2, 1934), 68 F. 2d 940;
Hookless Fastener Co. v. Lion Fastener Co. (C. C. A. 3, 1934), 72 F. 2d 985;
Hookless Fastener Co. v. G. E. Prentice Mfg. Co. (C. C. A. 2, 1935), 75 F. 2d 264;
Hookless Fastener Co. v. Lion Fastener Inc. (C. C. A. 3, 1936), 84 F. 2d 579;
Hookless Fastener Co. v. Greenberg (D. C. Cal., 1937), 18 Fed. Supp. 296;
Hookless Fastener Co. v. Greenberg (C. C. A. 9, 1938), 98 F. 2d 1020.

Intent and Attempt to Monopolize.

A. The American Agreement.

The lower court predicated its conclusion that Talon intended and attempted to monopolize the zipper market on two isolated pieces of evidence [R. 146]. The first piece of evidence is the American agreement [Ex. AH]. This was a license agreement dated May 17, 1934, between Hookless Fastener Company (Talon) on one hand and American Fastener Company and Sterling Novelty Manufacturing Company on the other hand, Hookless Fastener Company being the prior name of Talon. In this agreement Hookless (Talon) licensed Sterling under eleven patents at a royalty rate of 2% of Sterling's aggregate dollar sales. The licensed patents covered both slide fastener units and methods and machines for the manufacture thereof. The agreement was made as a result of a controversy between the parties over patent rights. In a letter agreement dated July 7, 1938 [Ex. AH-2], Talon released American and Sterling from payment of future royalties and royalties then due. The agreement expired by limitation on May 31, 1944 [par. 19, Ex. AH], but was extended from year to year under Poux pin lock Patent No. 1,969,672 until that patent expired on August 7, 1951 [Ex. AH-1].

As of May 17, 1934, when the American agreement was executed, Talon had a proven and dominant patent position. On April 4, 1927, claims of Sundback Patent No. 1,302,606 licensed therein had been found valid by the Second Circuit Court of Appeals (18 F. 2d 1016). On April 5, 1933, claims of Sundback Patent No. 1,243,458 licensed therein had been found valid by a Pennsylvania District Court (7 Fed Supp. 87) and on January

15, 1934, claims of Sundback Patent No. 1,331,884 had been found valid by the Second Circuit Court of Appeals (68 F. 2d 848).

The District Court did not specify in what respect the American agreement was "clearly illegal" [R. 146]. This agreement was received in evidence solely on the question of intent [R. 146].

B. The Los Angeles Conference.

The second piece of evidence on which the Court relied is "the Los Angeles Conference." This was a conference held on September 29, 1949, in the Los Angeles office of Talon and was described at the trial by Phillip Lipson of Union [R. 908-919]. This conference is also described in the depositions of Wilbur B. Jager [Ex. AI; R. 1430-1443], C. F. Detweiler [Ex. AJ; R. 1443-1456], Robert Eisenberg [Ex. AK; R. 1456-1464] and Isadore O. Napp [Ex. AL; R. 1465-1476], all witnesses for defendant. Present at the conference were Mr. Jager, the district sales manager of Talon, Mr. Detweiler, the local sales manager of Talon, Messrs. Napp and Bogash of Roxy Thread Company, Mr. Eisenberg of California Slide Fastener, Inc., and Mr. Lipson of Union. No Officers of Talon were present at this conference.

The conference was nothing more than a general discussion of the problems of the trade, particularly pricing practices.

At the conference, Mr. Jager complained about unfair pricing practices in the area, such as hidden discounts, premium price cutting, and the like. Mr. Jaeger noted that as long as the smaller manufacturers sold their zippers at one-half cent under Talon, Talon could meet competi-

tion because its zippers commanded a higher price by virtue of their name and reputation [R. 910]. He further noted that Talon had met competition in the eastern states by bringing out its Wilzip zipper, which was a low-priced zipper [R. 911]. Mr. Napp said that he would sell zippers one-half cent under Talon regardless of price [R. 915]. Mr. Eisenberg also said that he would meet competition and sell at whatever price he had to [R. 916].

The meeting ended without agreement of any sort [R. 914] in a general discussion with "the usual arguments" [R. 916]. Talon later did introduce the Wilzip zipper but it had no effect because a few months later the Korean war started and zippers were in short supply [R. 917].

Exhibit 7, Cap-Tin License Agreement.

Exhibit 7 is a license agreement between Talon, Cap-Tin Development Corporation and David Silberman, the inventor of the Silberman '793 patent. This license agreement is dated July 16, 1945, and was terminated by the agreement of April 18, 1949, between Talon and Silberman [Ex. 8]. Silberman owned and controlled Cap-Tin as evidenced by the first paragraph of Exhibit 8.

Talon did not own Silberman '793 at any time while Exhibit 7 was in effect. In the Exhibit 7 agreement, Talon granted Cap-Tin a license under United States Patents Nos. 2,026,413, 2,078,016, 2,078,017, 2,169,176 and 1,903,659 and received in return a license under Silberman patent application Serial No. 555,572, now the Silberman '793 patent. Talon did not acquire the Silberman '793 patent until April 19, 1949, when it was assigned to Talon by Silberman pursuant to the Talon-Silberman agreement [Ex. 8]. Talon paid Silberman

ten thousand dollars (\$10,000.00) for an option to buy and an additional sixty-five thousand dollars (\$65,000.00) for Silberman '793 and two pending patent applications [par. 11, Ex. 88].

The pertinent parts of Exhibit 7 are paragraphs 2(a), 2(b), 5(a) and 5(b) which read as follows:

“2. DEFINITION.

“(a) ‘Slide Fastener’ or ‘Fastener’ as the term or terms may be used herein, are defined to mean a complete slide fastener, commonly known as ‘zipper,’ comprising two interlocked stringers, each having a row of interlocking elements attached thereto, together with a slider or actuating member and with or without end stops to limit the movement thereof, the stringers of which Slide Fasteners are made by a process or machine, or both, covered by a claim or claims of any of the aforesaid Letters Patent of TALON.

“(b) ‘Fastener Chain’ as the term is used herein, is defined to mean two interlocked slide fastener stringers made as above specified, each having a row of interlocking fastener elements attached thereto, neither slider nor end stops being assembled on the stringers.

“5. ROYALTY.

“CAP-TIN agrees to pay to TALON as license fees or royalties the following:

“(a) Ten per cent (10%) of the aggregate net dollar sales of all slide fasteners and all fastener chain sold by CAP-TIN during the life of this agreement, which fasteners or fastener chain or parts thereof were made by the use of any machine or process covered by any of the claims of patents enumerated in Paragraph 3(a) hereof in excess of 12,000,000 double yards per year of slide fasteners

or fastener chain. CAP-TIN agrees that all quantities of fasteners or fastener chain which it may acquire from others and resell, shall be included along with fasteners or fastener chain made by machines licensed herein to CAP-TIN in the computation of the royalties agreed to be paid in this Paragraph 5(a) hereof. Nothing herein contained, however, shall be construed as granting a license to any party other than CAP-TIN under the patents enumerated in this agreement.

“(b) ‘Royalty Sales.’ The royalty contemplated in this Paragraph 5(b) hereof for the use of one or more of the inventions embodied in the aforesaid patents of TALON, to-wit: Binns 2,026,413, Poux 2,078,016, Poux 2,078,017, Poux 2,169,176 and Smith 1,903,659, is intended to be a percentage of the value of the product resulting from the use of machines and processes covered by said patents, namely, the fastener chain. Due to the difficulties in proportioning the value of a fastener chain to the value of a complete slide fastener and the methods of accounting customarily used in the slide fastener business, it is agreed that the basis to be used for calculating royalties under this paragraph shall be the net selling price of slide fastener units.”

The District Court found that Exhibit 7 “clearly ties in unpatented with patented art when the licensee exceeded its quota of production provided for” [Finding XXXVII, R. 185]. Cap-Tin never reached or exceeded its quota [R. 676].

SPECIFICATION OF ERRORS.

The errors relied upon and urged in the appeal are as follows:

“III.

“The District Court erred in adjudging that Claims 1 through 4, 13 and 32 through 40 of United States Letters Patent No. 2,437,793 to Silberman are invalid and void.

“IV.

“The District Court erred in adjudging that Claims 1 through 4, 13 and 32 through 40 of United States Letters Patent No. 2,437,793 to Silberman are not infringed by defendant.

“V.

“The District Court erred in adjudging that defendant have and recover from plaintiff the sum of \$20,000.00 in attorneys' fees.

“X.

“The District Court erred in failing to find that while plaintiff's machine, Exhibit 5, has improvements over Silberman Patent No. 2,437,793 the same embodies the patented invention of said patent and each of the essential elements thereof or its full mechanical equivalent.

“XII.

“The District Court erred in finding that plaintiff's proof fails to show that a machine of the claims in issue of Silberman Patent No. 2,437,793 ever operated.

“XIII.

“The District Court erred in entering Finding No. XXI and in permitting the defendant to attempt to impeach its own witness, Loew.

“XIV.

“The District Court erred in finding that Silberman entered into a verbal license agreement with defendant and subsequent actions of defendant including expansion of defendant’s facilities for manufacturing zippers were made in reliance upon that license.

“XV.

“The District Court erred in finding that defendant relied upon plaintiff’s McKee’s statement to defendant’s Loew that no patents of plaintiff were infringed, and in reliance upon that statement, defendant continued to work on machines it was manufacturing and expended money in expanded manufacturing facilities.

“XVI.

“The District Court erred in entering Finding No. XXV reading as follows:

“‘Letters, Exhibits 15 and 18, alleged to be notices of infringement on behalf of Silberman to defendant, were written prior to Silberman’s conversation with Loew and Lipson about August 15, 1948, and therefore were prior to the license granted by Silberman to defendant.’

“XVII.

“The District Court erred in finding that Silberman was not the sole inventor of the device of the claims in issue of his Patent No. 2,437,793 and it was at least in part the work of Havekost.

“XVIII.

“The District Court erred in finding that the conference in Los Angeles between plaintiff and the local zipper manufacturers in that city in 1949 was held in an attempt by plaintiff to maintain price control and evidenced an intent to misuse plaintiff’s patents and to violate the antitrust laws.

“XIX.

“The District Court erred in finding that the license agreements entered into by plaintiff produced the net result that the product of plaintiff’s licensees was curtailed.

“XX.

“The District Court erred in finding that the contract, Exhibit 7, clearly ties in unpatented with patented art when the licensee exceeded its quota of production provided for.

“XXI.

“The District Court erred in entering Finding No. XXXIX reading as follows:

“‘The activities of plaintiff in which numerous suits were filed and settled without trial upon the grant of quota licenses which amounted to a scheme to restrict the production of competitors are apparent, and typical of these activities was plaintiff’s commencement of the present action after McKee, an official of plaintiff, had found no infringement and plaintiff apparently made no further inspection or investigation.’

“XXII.

“The District Court erred in entering Finding No. XXXX reading as follows:

“‘Plaintiff intended and attempted to monopolize a substantial part of the zipper market, has misused its patents and has unclean hands.’

“XXIII.

“The District Court erred in finding that plaintiff’s acts in connection with the restricted licenses must necessarily have created a substantial impact on the supply of zippers in interstate commerce in the United States and there was public injury.

“XXIV.

“The District Court erred in entering Finding No. XXXXIII reading as follows:

“‘Plaintiff’s conduct is convincing that it considered the validity of Poux ’017 and Silberman ’793 as being questionable and had not heretofore permitted their adjudication.’

“XXV.

“The District Court erred in entering Finding No. XXXXV reading as follows:

“‘The action was brought by plaintiff in bad faith and without reasonable belief in the validity of the patents and the litigation proves harassment and misconduct on plaintiff’s part.’

“XXVI.

“The District Court erred in entering Finding No. XXXXVI reading as follows:

“‘Plaintiff, under the pretext of examining defendant’s machinery to determine possible patent infringement of which it had no actual knowledge, secured consent to examine defendant’s machinery only for the purpose of determining whether infringement existed, and while under color of such an examination learned of a number of improvements which defendant had made upon zipper machinery and copied defendant’s improvements in plaintiff’s machinery, Exhibit 5, without compensation to defendant. These improvements by defendant are those listed in Finding XII.’

“XXVII.

“The District Court erred in entering Finding No. XXXXVIII reading as follows:

“‘Having considered the acts of plaintiff leading up to the prosecution of this action against defendant and the fact that plaintiff has acted in bad faith

and with unclean hands and has misused its patents, defendant is entitled to reasonable attorneys' fees. Taking into consideration the nature and complexity of the case; the length of the trial; the depositions taken; the experience, standing and eminence of counsel; the quality of skill demonstrated; the importance of the case to the plaintiff and defendant; the risk of the client and responsibility of the counsel; the time fairly and properly expended in preparation out of court; time in court; and the results accomplished, it is found that the reasonable value of the services of attorneys for the defendant is Twenty Thousand Dollars (\$20,000.00).

“‘In considering the relative importance of the work done by defendant's attorneys with regard to violation of the antitrust laws, while it was done in part in support of defendant's counterclaim, it was also done as part of the work showing the defense of unclean hands and the material regarding antitrust violations was used as a shield in defense of the patent suit as well as a sword in connection with the counterclaim. It was nearly all pertinent to the defense to plaintiff's action, even though the counterclaim failed.

“‘It is found that the antitrust problem is the only substantial issue if an appeal is taken. To provide for the contingency, that on appeal the reviewing court should find no violation of antitrust laws and be confronted with an apportionment of fees, and a remand for the purpose of fixing of fees without regard to services rendered on the antitrust violation, then excluding the services regarding antitrust violations; the reasonable value of attorneys' fees for defendant is Eighteen Thousand and Five Hundred Dollars (\$18,500.00).’

“XXIX.

“The District Court erred in concluding that Silberman Patent No. 2,437,793 is invalid in view of the prior art as being an aggregation and not a patentable combination bringing about a new result and plaintiff’s proofs failed on the issue that the machine of Silberman ’793 ever operated.

“XXX.

“The District Court erred in concluding that the understanding between Silberman and Defendant on or about August 15, 1948, was relied upon by defendant which changed its position in reliance thereon and defendant was therefore licensed under Silberman ’793.

“XXXI.

“The District Court erred in concluding that plaintiff purchased Silberman ’793 subject to the existing licenses from Silberman to defendant and was estopped from thereafter withdrawing the license or charging that the defendant infringed.

“XXXII.

“The District Court erred in concluding that Silberman was not the sole inventor of his patent in suit.

“XXXIV.

“The District Court erred in concluding that reliance by defendant upon Silberman’s statement that he would not sue defendant for infringement under his patent ’793 if defendant refrained from selling machines in certain export markets and plaintiff’s officer McKee’s report to plaintiff which failed to indicate infringement and McKee’s statement to Loew, former president of defendant, that there was no infringement, and defendant’s reliance there-

on which included expansion of defendant's facilities created an estoppel against plaintiff to subsequently assert infringement and constituted a waiver by plaintiff of a right to sue.

“XXXV.

“The District Court erred in concluding that by reason of the license agreements entered into between plaintiff and a number of other competing companies, and by further reason of conduct of plaintiff, plaintiff was guilty of misuse of its patents, bad faith, unclean hands and violation of the antitrust laws. Therefore, plaintiff is not entitled to maintain this action even if the patents in suit were valid and/or infringed.

“XXXVI.

“The District Court erred in concluding that plaintiff's contracts between it and competing companies and its attempts to control prices in the Los Angeles area accompanied by a threat of a price war if prices were not controlled, constitute a violation of the anti-trust laws.

“XXXVII.

“The District Court erred in concluding that the production restricting contracts entered into between plaintiff and its competitors, the circumstances under which many of those contracts were made, the attempt to control prices in the Los Angeles area, the introduction of a cheaper and inferior brand of zipper in the Los Angeles area subsequent to the attempt to control prices there, the appropriation by plaintiff of improvements made by defendant on its machines under the guise of an infringement investigation, and the purchase of the Silberman patent '793 shortly prior to suit against defendant and the subsequent filing of said suit all constitute steps in

a deliberate scheme to control zipper production in the Los Angeles area and throughout the United States.

“XXXVIII.

“The District Court erred in concluding that plaintiff was guilty of bad faith amounting to fraud in securing consent to inspect defendant’s machinery for possible patent infringement and in utilizing such inspection to gain from defendant numerous improvements in zipper machinery which were incorporated in plaintiff’s machines without compensation to defendant.

“XXXIX.

“The District Court erred in concluding that plaintiff through its license agreements with competitors compelled the payment of royalties on unpatented materials and therefore misused its patents in violation of the antitrust laws.

“XXXX.

“The District Court erred in concluding that the antitrust laws may be used as a shield as well as a sword and are available in this case as a complete defense against infringement and the validity of the patents.

“XXXXI.

“The District Court erred in concluding that as a matter of law the patents in suit have been misused.

“XXXII.

“The District Court erred in concluding that the acts of plaintiff in misuse of its patents and in violation of the antitrust laws substantially affected interstate commerce in zippers and the public was injured.

“XXXXIII.

“The District Court erred in concluding that in view of the conduct of plaintiff in connection with events leading up to and the bringing of this suit, as set forth in the findings of fact, it is held that defendant is entitled to an award of attorneys’ fees in the amount of Twenty Thousand (\$20,000.00) Dollars. In the event that on appeal the reviewing court should find no violation of the antitrust laws and be confronted with an apportionment of fees, and a remand for the purpose of fixing such fees without regard to services rendered on the antitrust violation, it is found that, excluding services regarding antitrust laws violations, the reasonable value of attorneys’ fees for defendant is Eighteen Thousand Five Hundred (\$18,500.00) Dollars.

“XXXXIV.

“The District Court erred in failing to conclude that prior to the trial of this action, plaintiff had purged itself of any possible illegal conduct under the antitrust laws and had thoroughly cleansed its hands.”

ARGUMENT.

The Silberman Patent Is a Valid Patent Covering a True Combination.

The Silberman Patent is for a machine for making slide fasteners or zippers. It takes a flat strip of metal and feeds it horizontally over a base and it takes a fabric tape and feeds it vertically in a path intersecting the line of feed of the strip. In the process, the strip is acted upon by punches and dies carried by the ram and base of the machine: (a) to punch up a "head," leaving a downwardly facing recess; and (b) to cut off the end element and simultaneously attach it to the tape, while the metal strip is firmly gripped by the feeding means, the punches and the dies [R. 536]. The cutting off of the end element forms the outline of the legs of the ensuing element. This is done continuously at high speed.

So far as pertinent to this case, the machine patented comprises: feed means for the tape; feed means for the strip; a ram carrying a punch and a die and cams; and a base housing a punch and a die and closing jaws for clamping the zipper elements on the tape.

The Silberman Patent discloses a new, additional and different function from any prior art machine and thus qualifies as a true combination.

The additional and different function lies in the fact that the ram which forms the projections and recesses on the strip of metal while the end element is being clamped on the tape, also is the means which cuts off the endmost element as it actuates the closing jaws to attach the element to the tape which moves in a fixed path past the end of the strip. Thus the element is always under complete

control while it is being clamped on the tape. There is a new cooperative relationship in the Silberman patent between the ram and the tools carried by or actuated by it which produces the new result of holding the strip and the end element in a vise-like grip to securely position the same as the legs are being closed about the tape and as the end element is being severed from the strip. Nowhere in the prior art do we find this cooperative relationship or this result.

The advantages of this new mode of operation were summarized by plaintiff's expert at the conclusion of the plaintiff's case as follows:

"The Court: Now, what new results do you contend from Silberman—what new and different results do you content results from Silberman?"

The Witness: I would say it is this, your Honor. First, for the first time in the art you could build an inexpensive machine which would operate at high speed and produce at high speed a commercially satisfactory zipper chain or stringer.

That by the particular arrangement of the punches and dies control is maintained during the manufacture of the zipper element and that control is maintained until the zipper element is securely fastened to the tape.

It is a machine in which the elements are readily timed for operation and maintained in correct time relationship and that is due to operating all of the manufacturing and attaching mechanisms directly from one structure, namely, ram of the machine.

In summarizing I might say it is an inexpensive machine that maintains complete control during the manufacturing and attaching of the elements so you

get reasonable accuracy in attaching the elements to the tape.

“It eliminates scrap.

It is extremely fast.

It requires only a single machine whereas the other methods require two machines and some three machines” [R. 1079-1080].

Referring to Appendix 2 to this brief, the elements of the Silberman Patent are shown (as well as defendant’s accused device). The ram is not shown but is represented by the dark red lines 10. The ram is reciprocated toward and away from the base and carries the head forming die 11, the cut off punch 12 and the cams 13.

The base carries the strip feeding rolls 14, the strip 15, the head forming punch 16, the cut off die 17 and the closing jaws 18.

These cooperate as follows: The strip is always firmly gripped between the feed rolls 16. As the ram descends, the die 11 and punch 12 engage the strip and hold it in a vise-like grip, finally forcing the strip over the punch 16 and severing the end element, but simultaneously the beveled faces of the cams 13 engage complementary faces on the jaws 18 and force the jaws to close the legs of the end element on the tape 19. The end element is thus always under control until it is affixed to the tape, and the ram assists in the multiple functions of forming the head; forming the outline of the legs of the next ensuing element; clamping the end element until it is severed; severing the end element and clamping its legs about the tape [see R. 280-287].

This is a new function and a new cooperative relationship. We challenge the defendant to show to this Court any prior device which operates in this manner and performs these functions in this way. There is none, and this being true, Conclusion of Law II [R. 189], *supra* p. 4, to the effect that Silberman is an aggregation and not a combination bringing about a new result is obviously clearly erroneous.

Based upon this premise, that the Silberman Patent is a true combination having new function and a new cooperative relationship of elements, it then becomes irrelevant that the various elements of the combination in other relationships may be individually old in the art. Finding XVI [R. 180] is thus strictly immaterial.

In this respect, this case is controlled by this Court's decision in *Stearns v. Tinker & Rasor*, 220 F. 2d 49, wherein this Court reversed a similar ruling saying:

“Without the support of the subsidiary findings which we hold are clearly erroneous, the finding of the court below that the combination of old elements in the Stearns patent does not amount to patentable invention because the elements thereof do not cooperate in any new way or contribute any new and unexpected result must also fall. The elements of the Stearns combination do functionally operate differently in the combination than they did in their old surroundings. As we have determined, the spring electrode for the first time in its use in holiday detectors is rolled, instead of being dragged. In the Stearns detector, the pusher rotably engages and forms a movable electrical contact with the spring electrode so as to roll it and connect it electrically to the high voltage test circuit; and movement of the carriage longitudinally upon the pipe imparts a rolling

movement to the spring electrode. And this different coaction of the elements produces a new and useful result, viz.: The detection of holidays in a more facile and efficient way. *Willard v. Union Tool Co.*, 9 Cir., 253 F. 48, 54; *Long v. Dick*, D. C. Cal., 38 F. Supp. 214, 220; *Application of Ostermann*, 179 F. 2d 1010, 1014, 37 C. C. P. A., Patents, 891, *Imperial Brass Mfg. Co. v. Bonney Forge & Tool Works, Inc.*, D. C. Pa., 38 F. Supp. 829, 830; 69 C. J. S., Patents, §68, page 303; 40 Am. Jur., Sec. 19, p. 543.”

In so holding, this Court was on sound ground. It was applying the rule of *Webster Loom Co. v. Higgins*, 105 U. S. 580, wherein the Court said:

“It may be laid down as a general rule, though perhaps not an invariable one, that if a new combination and arrangement of known elements produces a new and beneficial result never attained before, it is evidence of invention. It was, certainly, a new and useful result to make a loom produce fifty yards a day, when it never before had produced more than forty; and we think that the combination of elements by which this was effected, even if those elements were separately known before, was invention sufficient to form the basis of a patent.”

The Silberman Patent in Suit Describes and Claims an Operative Machine.

The District Court has entered a Finding XX [R. 181], as follows:

“Plaintiff’s proof fails to show that a machine of the claims in issue of Silberman ’793 ever operated.”

This is surprising and obviously erroneous because defendant’s own president and chief witnesses proved it for

us. Perhaps the District Court was free to reject the testimony of Ralph Meech [R. 469, 530] and Henry Burkitt, [R. 1041] both lawyers and plaintiff's witnesses who testified to the operation of machines built by Silberman in accordance with his patent, but we submit it was not free to disregard the only other witnesses who testified on this subject and on whose lips it lays as an admission against interest. Thus Philip Lipson testified as follows:

“Mr. Leonard Lyon: What does he mean by the ‘Silberman machine’?”

The Court: The machine No. 5 I suppose. Is that what you mean, Exhibit No. 5?

The Witness: No, not Exhibit No. 5. I mean the Silberman machine as shown on the patent and as I have seen at California Slide Fastener. I found out later on those were the original Silberman machines.

The Court: You handed me a punch, this one here.

The Witness: That is correct, your Honor.

The Court: Which you call a Silberman machine punch. We will mark this Defendant's Exhibit AS.

(The object referred to was marked Defendant's Exhibit AS for identification.)

Mr. Leonard Lyon: I still don't know, your Honor, where the punch came from.

The Court: And I am going to find out. Where did you get this punch, Exhibit AS?

The Witness: From Mr. Eisenberg of the California Slide Fastener Company.

The Court: And it came out of a machine there that you say is a Silberman machine?

The Witness: Correct.

The Court: Did you study the machine there at California?

The Witness: Yes, your Honor.

The Court: Did you compare it with the Silberman patent '793?

The Witness: Yes, sir.

The Court: And it is your testimony that the California machine from which this punch AS came was designed according to the Silberman patent?

The Witness: Identical, your Honor" [R. 774-775].

* * * * *

"Q. Have you ever seen any similar types of machines as compared to that shown in the Silberman patent? A. Similar in function or in general design?

Q. In its mechanical, functional elements to produce the operations I have previously outlined? A. Yes.

Q. Where have you seen them? A. I have seen it at the California Slide Fastener Company.

Q. Were the machines at California Slide Fastener Company, insofar as its essential operating parts are concerned, built like the elements shown in the Silberman patent? A. The answer I gave before—the California Slide Fastener had besides the Silberman type machines, also another type of machine which functionally was the same as the Silberman, but it didn't perform identically in that it did not have two stringers produced. It was what we call a single-header machine. But functionally it operated the same as the Silberman type machine" [R. 802-803].

Defendant's witness Borson testified that these operated in production at 1200-1300 rpm [R. 984] thus forming and applying 1200 to 1300 zipper elements during each minute of operation. Thus we establish that machines

“identical” to the Silberman Patent were built and functioned as stated.

It would appear then that, unless anticipated, the Silberman Patent is valid. The District Court gives us no help as to why it found it invalid. As shown above, it is not an aggregation.

It is entitled to the presumption of validity which is strengthened by the fact that nearly every patent cited by the defendant here was considered by the Patent Office.

Great Lakes Equipment Co. v. Fluid Systems, Inc.
(C. A. 6), 217 F. 2d 613;

Lewet Corp. v. Health-Mor, Inc. (C. A. 7), 181 F.
2d 855;

Modern Products Supply Co. v. Dranchenberg (C.
A. 6), 132 F. 2d 203.

It has enjoyed commercial success both here and abroad.

Plaintiff paid Silberman \$75,000.00 to acquire it [R. 470] which shows what plaintiff thought of it before it acquired it.

Imperial Chemical Industries of England paid Silberman around \$600,000.00 for the European rights [R. 463, Ex. 9] and Companhia Brasileira also paid an additional sum for the South American rights acquired by it [Ex. 10, R. 463-464].

And finally, as will be made clear hereinafter under “Infringement,” defendant has slavishly copied it, using the services of Waldman, Silberman’s die maker in the process [R. 1386-1387, 1046-1047, Ex. 18].

Such copying has been commented upon by this Court in *The Filtex Corporation v. Atiyeh*, 216 F. 2d 433 at

445, wherein it cited the case of *Kurts v. Belle Hat Lining Co.*, 280 Fed. 277 at 281, for the following:

“The imitation of a thing patented by a defendant, who denies invention has often been regarded, perhaps especially in this Circuit, as conclusive evidence of what the defendant thinks of the patent, and persuasive of what the rest of the world ought to think.”

Accordingly, the Silberman Patent is *prima facie* valid.

The Silberman Patent Is Not Anticipated and Involves Invention Over the Prior Art.

At the outset, we note that the District Court did not enter a *finding of fact* that the Silberman Patent was anticipated or does not involve invention over the prior art.

Conclusion of Law II [R. 189] appears to relate to the matter of aggregation versus combination only, which has been dealt with above. Thus, other than the *Havekost* matter, *infra*, this Court does not have the benefit of any *finding of fact* as to the presence or lack of invention in the Silberman Patent. However, we shall demonstrate validity.

The patent to Poux '017, due to our acquiescence in the holding that it is inoperable, is no longer available to the defendant as a reference. Finding VIII [R. 175] says:

“Poux '017 did not solve a problem but its disclosure merely stated a problem and a desirable end result. He stated in his patent that it would be desirable to overcome the problem of handling preformed zipper elements by keeping them attached to the strip of stock and not completely severing them until they were attached to the tape. In substance, his claimed method so stated, but he did not teach a workable manner or means of accomplishment of the desired result.”

It is well settled that an inoperative disclosure cannot thus be used.

- General Electric Supply Corp. v. Maytag Co.* (C. A. 8), 100 F. 2d 218, 222;
Williams Iron Works v. Hughes Tool Co. (C. A. 10), 109 F. 2d 500, 510;
Topliff v. Topliff, 145 U. S. 156;
Bourns v. Edcliff Instruments (D. C. Cal.), 125 Fed. Supp. 503;
Alexander Anderson, Inc. v. Eastman (D. C. Cal.), 16 Fed. Supp. 513.

Defendant has cited:

Sundback	No. 1,331,884
Sundback	1,947,956
Smith	1,533,352
Johnson	1,731,667
Hommel	1,659,266
Binns	2,026,413
Taberlet	2,294,253
Wintritz	2,201,068
Sundback	1,467,015
Murphy	1,664,880
Silberman	2,437,793
Sundback	1,434,857
Wintriss	2,336,662
Ulrich	2,370,380
Poux	2,169,176
Behrens	2,267,783
Legat	2,116,726
Ulrich	2,302,075
Ulrich	2,338,884
Prentice	2,116,712

Defendant did not put on a witness to discuss any of these patents; no application of any of them to Silberman's claims or his new functional relationship was made in either the District Court's Opinion or in the Findings and Conclusions.

Thus, we do not have a clearcut understanding of just what defendant contends is the pertinency of the various patents relied upon to challenge the validity of Silberman's claims.

Certainly, no single patent anticipates Silberman and the multiplicity of patents cited, both by the Patent Office and by defendant, "is evidence of the weakness of the contention" that Silberman is invalid.

Reynolds v. Whitin Mach. Works (C. A. 4), 167
F. 2d 78, 83.

Defendant has placed some stress on Sundback No. 1,331,884, Exhibit E [R. 1723, *et seq.*]. Reference to figure 19 of this patent shows that Sundback contemplates a strip 1 from which by means of a punch 22 he punches out an element which is then pressed back into the strip 1, page 2 (lines 41-48). From then on nothing restrains the punched out element except the thin sides of the strip 1. We can well imagine what would happen if this were done at the rate of 1200-2000 times per minute! Furthermore, Sundback proposes to clamp the legs of the elements about the tape by engaging the side strips of metal scrap between which the separated fastener elements have been returned by jaws 46 (Fig. 19). Again, we can well imagine what this would do to the rest of the strip and the loose elements carried by it! And note that his jaws do not, as called for by Silberman "engage the element."

His closing step is thus separated from his severing step and thus he does not have the element retained in a vise-like grip during *severing and attaching*. His jaws 46 are thus not “immediately at the position of the separating means” and the new functional relationship of Silberman is not obtained.

The first part of Finding VII [R. 174] says:

“At the time of Poux '017, there were machines in use which formed the individual zipper elements and other machines which attached them to the cloth tape. This necessitated costly and precise handling of the individual and separate zipper elements and it was difficult to properly set them on the tapes.
* * * ”

The above quoted part of Finding VII applies to most of the prior art patents here relied upon by defendant.

Defendant also relies on Sundback No. 1,947,956 [Ex. F, R. 1743], a file wrapper reference. It should suffice to dispose of this patent to state that separate elements 1 are punched out of the strip 7 which are then transported to another place where they are clamped to the tape. They do not remain part of the strip until they are mounted on the fabric tape. Severing of the fastener elements and attaching to the tape are widely separated in time and space.

Smith No. 1,533,352 [Ex. G, R. 1759] relates to a method of making paper box fasteners. Even if we assume that it is in an art analogous to Silberman, which we deny, it is not pertinent here because the fastener is severed completely (see Fig. 3) before it is attached to anything.

Johnson No. 1,731,667 [Ex. H, R. 1764] preforms a group of elements strung together (Fig. 6) in “any suitable machine” (p. 1, 1. 71), attaches them all to a tape and then cuts them apart. It is completely irrelevant to Silberman.

Hommel No. 1,659,266 [Ex. I, R. 1769] relates to a method of making wire fasteners. It does not involve the use of a tape and obviously does not retain an element in a vise-like grip as it is attached to a tape. It is completely irrelevant to Silberman.

Binns No. 2,026,413 [Ex. J, R. 1781] likewise forms separate elements which are transported to a remote station for attaching to a tape. It requires two separate machines.

Taberlet No. 2,294,253 [Ex. K, R. 1835], a file wrapper reference, likewise forms separate elements which are transported to a remote station for attaching. Again, severing and attaching are widely separated in time and space.

Wintritz No. 2,201,068 [Ex. L, R. 1842], a file wrapper reference, employs two machines, one a rolling mill for forming what he calls an embryo “element wire” in which the elements are formed and the other a severing and attaching machine. It is in nowise pertinent.

Sundback No. 1,467,015 [Ex. 13, R. 1689] uses wire that is rolled to a “Y” shape from which slices are cut, transferred to a die to form heads and recesses and then transferred to a third stage for attachment to a tape. It is the old Talon process and involves substantially none of Silberman’s features.

Murphy No. 1,664,480 [Ex. M, R. 1867] is merely a punch press for making primer anvils and wholly irrelevant. Nothing is attached to a tape.

Sundback No. 1,434,857 [Ex. BF, R. 1883] is the same and subject to the same comments as Sundback No. 1,331,884 [Ex. E, *supra*. See Fig. 26].

Wintriss No. 2,336,662 [Ex. BG, R. 1906] is by the same inventor as Exhibit L and likewise operates on a long string of "embryo elements" previously formed in another machine. It is again not pertinent. It also was a file wrapper reference.

Ulrich No. 2,370,380 [Ex. BH, R. 1917], a file wrapper reference. Ulrich like Wintriss is a Conmar patent and again uses a rolling mill to form a wire of pre-formed "embryo elements" which are severed and attached to a tape in a separate machine. It is no more pertinent than Exhibits L or BG.

Poux No. 2,169,176 [Ex. BI, R. 1934] is a method patent and does not show a ram. Obviously then, it does not show a ram having the new functional relations of Silberman. It involves forming a long string of pre-formed elements.

Behrens No. 2,267,783 [Ex. BJ, R. 1947] was a file wrapper reference. It relates to a totally different type of zipper and had this patent been offered in evidence during the trial, plaintiff would have demonstrated its inoperability. This inoperability arises as follows: Either punch 86 severs the end element before member 93 crimps jaw J upon bead B of the tape or it does not (see Figs. 15 and 16). If it does, then the element is completely loose, uncontrolled and almost anything might happen.

If it does not, then there is nothing backing up the element as an anvil against which member 93 can clamp the jaw J. Thus, closing would be impossible.

Legat No. 2,116,726 [Ex. BT, R. 1969] was a file wrapper reference. This patent shows a method of making fastener units in which a plurality of fastener elements are cut from a strip. It does not show any means or process for attaching the elements to the tape and in fact it states on page 3 of the Specification, column 1, lines 5-9, the following: "Having prepared the units U, these units may be secured to the beaded edge of the stringer by any suitable mechanism such as has commonly been used in this art for uniting *independent* units to stringer tapes" (emphasis supplied). Thus Legat totally fails to show the basic concept of using a single ram for performing all of the steps for forming, severing and attaching a slide fastener element to a tape, and certainly fails to disclose the concept of having the element held in a vise-like grip integrally attached to the strip during the steps of forming, severing and clamping to the tape. These basic concepts of Silberman being thus omitted from the alleged anticipation, it is clear that Legat in nowise negatives the novelty of the Silberman claims. No contention can possibly be made that Legat would infringe Silberman, were it subsequent thereto. By the simplest of logic, it is therefore apparent that Legat cannot anticipate the claims of Silberman.

Ulrich No. 2,302,075 [Ex. BU, R. 1976] was a file wrapper reference. This patent discloses a method in which the elements are completely severed from the strip before attachment to the tape (see Figs. 7 and 8). Thus, the salient feature of Silberman is absent.

Ulrich No. 2,338,884 [Ex. BV, R. 1988] was misrepresented to the Court and counsel as having been cited in the Silberman file wrapper [R. 1161], and hence objection was withdrawn [R. 1166-1168.] But the objection made as to this patent, based on lack of notice under 35 U. S. C., Section 282(4), was good and should have been sustained. However, it again discloses a process using a wire 14 of joined preformed embryo elements made in a rolling mill and adds nothing to the other Conmar patents above discussed [Exs. L, BG and BH].

Finally, defendant cited Prentice No. 2,116,712 [Ex. BW, R. 1999], another file wrapper reference. This is merely a patent for forming a separate, loose zipper element which is later independently attached to a tape. It is obviously irrelevant.

It is significant with respect to these last four patents [Exs. BT, BU, BV and BW] that they were not offered in evidence during the trial. After the District Court had decided this case, it ordered the case reopened to receive these patents in evidence [R. 153].

Now something peculiar occurred here. Ulrich No. 2,338,884 [Ex. BV] had not been offered in evidence or in any way referred to in this case, either in the pleadings, interrogatories or in the evidence. It was not before the Court, at least to plaintiff's knowledge. How then, we may ask, did the District Court determine, as it did on July 17, 1956, that this patent was pertinent and admissible. *Officially it had never even seen it.*

From the foregoing review of the prior art relied upon by the defendant, it becomes obvious that the state-

ment made *supra*, page 33, that Silberman discloses a combination having a new and different function and a new cooperative relationship of the ram, forming and severing tools and closing jaws by which the element is held in a vise-like grip until completely attached to the tape, remains valid.

The best that defendant can do is find one element of Silberman here and another there and attempt to synthesize Silberman. This is not proper where, as here, we have a true combination.

Accordingly, Silberman is not anticipated and involves invention over the prior art.

Silberman Is the Sole Inventor of Patent No. 2,437,793.

The District Court has entered a finding [XXVI, R. 182] to the effect that Silberman was not the sole inventor and his invention was at least in part the work of one Havekost. On this is based Conclusion of Law V [R. 189]. These are manifestly erroneous.

This entire defense is based upon a deposition of Havekost [Ex. AM, R. 1478-1514], and this Court is as competent as the District Court to evaluate such evidence.

Indeed, the District Court indicated it would enter a finding overruling the Havekost defense. Thus at R. 1134, the District Court said:

“I am going to make a finding that this talk about Havekost inventing this machine is out the window. And I think you might argue that if you want to in your briefs.” [R. 1134.]

And, again, at R. 1145-1146, the District Court said:

“I am inclined to find, and this is one on which there can't be very much dispute, that Havekost did not invent, if anyone invented, the Silberman patent '793.

“The machine that Havekost talks about is one that used preformed strips, and therefore if there was such a machine, it was something that considered the older type of way of making zippers.”
[R. 1145-1146.]

That the District Court was right in its initial appraisal of the Havekost defense is apparent from a reading of the cross-examination of Havekost. He completely disclaimed inventing the Silberman machine. Thus, he testified:

“Q. During your other testimony, you identified many drawings in connection with the patent with which you had no corresponding parts in your own machine, did you not? A. I might have, yes.

Q. So there are many differences between your machine and the Silberman machine? A. I would say so.

Q. And the only similarities that you have talked about are in the application of the so-called internal combustion engine piston and crank arrangement in your machine that you also noticed in the Silberman machine, isn't that correct? A. Right.”
[R. 1508-1509.]

And again:

“Q. So that the only function of any of these six machines was to cut off, to shear off the zipper element and attach it to the tape? A. Yes.

“Q. In the industry, that was pretty much known as the Conmar type machine, was it not? A. Correct.” [R. 1510.]

Furthermore, the burden of proof was clearly upon the defendant to prove this defense with clear and convincing evidence, sometimes said to require proof beyond a reasonable doubt. The machines which Havekost designed are in existence [R. 1512] and could have been produced by defendant to prove exactly what he designed. Failure to produce this incomparably better evidence raises a presumption that it would not have supported defendant's claim.

Surely a court should not strike down a patent on the mere oral testimony of a witness unsupported by documentary evidence, even if he claimed to be an inventor, *a fortiori*, it should not, where, as here, he disclaims it.

Thus, against all avenues of attack, the Silberman Patent remains valid.

Defendant Has No License Under the Silberman Patent.

The District Court has entered a Finding XXII and Conclusions III and IV as follows:

“XXII.

“Silberman entered into a verbal license agreement with defendant and subsequent actions of defendant, including expansion of defendant's facilities for manufacturing zippers were made in reliance upon that license.” [R. 181-182.]

* * * * *

“III.

“The understanding between Silberman and defendant on or about August 15, 1948, was relied upon by defendant which changed its position in reliance thereon and defendant was therefore licensed under Silberman '793.

“IV.

“Plaintiff purchased Silberman '793 subject to the existing licenses from Silberman to defendant and was estopped from thereafter withdrawing the license or charging that the defendant infringed.” [R. 189.]

These are again manifestly erroneous, and the District Court again once so decided.

This defense is based upon a purported conversation in the Roosevelt Hotel in Hollywood in August of 1948 between Silberman, Sigmund Loew (then president of defendant) and Lipson. The Court finds, in effect, that Silberman granted a license by saying to defendant that he would not sue them as long as they refrained from disturbing his operations in Europe.

Two witnesses only testified as to this conversation, *both called by defendant*. Loew, defendant's president at the time of this meeting, testified by deposition and unequivocally stated that no agreement was made. Thus, he testified:

“Q. By Mr. Graham: Did you say anything to him about whether or not you would sell any machines in Europe? A. No arrangement was made whatsoever. He said that he was going to buy a number of machines we had at that time which we couldn't use ourselves in the plant at that time, which we made, that he is going to buy or sell them for us so we will not interfere. He called us once long distance to that effect from New York, and it

died a natural death. We didn't do any more about it." [R. 1400-1401.]

* * * * *

"Q. By Mr. Lyon: At that meeting did you reach an understanding, a firm understanding with Mr. Silberman, as to what you were to do and what he was to do in the future with respect to slide fastener machines?

Mr. Graham: I wish to make the same objection.

The Witness: No, we hadn't had an understanding at that time." [R. 1417-1418.]

* * * * *

"Q. By Mr. Lyon: In response to that statement of Mr. Silberman in April of 1948 wherein he stated, according to your letter of February 4, 1952, to Mr. Lipson, that he knew his patent wouldn't hold water and that he wouldn't enforce it against you if you stayed out of Europe, did you respond to that statement in any manner agreeing to such terms. A. No, we hadn't had any agreement whatsoever at that time.

Q. Did you consider yourself bound to Mr. Silberman to refrain from selling machines in Europe? A. No." [R. 1425-1426.]

The other witness Lipson not only agreed to this but testified that he made a counter proposal which was not accepted. Thus, Lipson proposed a deal involving Silberman selling 10 machines in which Union had tied up \$25,000.00 [R. 875-876], and as far as accepting Silberman's offer "I was for it and Mr. Loew was against it." [R. 878]; Loew was then president of defendant. Lipson was not even an officer [R. 884]. In

any event Lipson (and defendant) continued efforts to sell machines in Europe [R. 881, 890-891].

The District Court recognized this in saying:

“* * * However, even from his testimony it is obvious that no agreement was entered into between Silberman and Union Slide, Lipson or Loew. There was no acceptance of this agreement. There was an offer made by Silberman. There was no acceptance made. So the agreement never came into force, and I would be inclined to find that there is no estoppel, that there was no real reliance on what Silberman had to say.” [R. 1141.]

Why it later reversed itself remains a mystery.

The Plaintiff Is Not Estopped to Enforce Its Patent Rights.

The District Court has held that plaintiff is estopped to enforce its rights because Lipson overheard an alleged statement by Mr. McKee, a vice-president of plaintiff, to Loew upon a visit to defendant's plant, that no patents then owned by plaintiff were infringed [R. 165, Finding XXIII, R. 182, and Conclusion VII, R. 189-190].

Here again the Court is clearly erroneous and at one time so agreed.

Again, there were only two witnesses to this alleged event, both called by defendant, Loew and Lipson.

Loew simply testified that no such statement as that attributed to McKee was made. Thus, he testified:

“Q. * * * Did you talk about infringement when Mr. McKee was there? A. No.

Q. He made no statement of any kind to you regarding infringement? A. No.” [R. 1412.]

Lipson contradicts Loew, but even he admits that he would have expanded his business even if McKee had told him they did infringe. Thus, he testified:

“The Court: And isn’t it logical you would have gone ahead and continued the business and expanded even though he told you you did infringe?”

The Witness: That is correct.

The Court: All right.” [R. 907.]

The District Court, with the evidence freshly in mind, stated:

“Now, I am inclined to believe Mr. Lipson that McKee said the things that he is reputed to have said. But I find no estoppel, find no reliance upon McKee’s statement constituting any change of position. And this, again, goes back to what I consider the honesty of Mr. Lipson, and that is in response to the court’s question he admitted that those expenditures that were made would have been made anyhow whether McKee made that statement or not.” [R. 1141.]

Again, in view of the record, we are at loss to explain why the District Court reversed itself on this ground. It seems apparent that not only is defendant bound by the testimony of its own witness, Loew, but assuming the statement was made, there was not only no right to rely on it but no actual reliance, and the holding of the court in this regard is clearly erroneous.

Furthermore, the alleged estoppel based upon McKee’s alleged statement can in any case have no effect upon the Silberman Patent, as the plaintiff was not the owner of the Silberman Patent at the time of Mr. McKee’s visit to the Union Slide Fastener plant. The agreed date of

Mr. McKee's visit was April 15, 1948 [R. 1411]. Plaintiff acquired title to the Silberman Patent April 18, 1949, or more than a year later [Ex. 8].

Infringement.

Infringement of Claims 1-4, 13, 32-40 of the Silberman Patent is established beyond question. In fact there has been slavish copying, and Mr. Loew, who built Union's first machines, hired Murray Waldman, Silberman's die maker, to help him [R. 1386-1387, 934-937]. Murray Waldman worked for Silberman while Silberman was making the machine shown in the patent in suit [R. 1046-1047].

As Appendix II to this brief, there is reproduced Plaintiff's Exhibit 4. In this exhibit, each element of claim 40 of the Silberman Patent is found in defendant's structure, but the striking thing is the degree of identity of parts. Every punch, every die, every closing jaw of Silberman is present in the accused structure in substantially identical form and place and performing the identical function.

Plaintiff's expert, Mr. Doble, explained with reference to photographs of the accused structures, [Exs. 13-A to 13-L], exactly wherein there existed every element of the Silberman invention [R. 297-318]. His testimony is summarized in the following, which is uncontradicted:

"The Witness: I would also like to call attention to the similarity in the shape of the housing, the ram, the guide for the ram, the tape feed, the wire feed, the punches—in other words the entire structure bears a very close similiarity, if not an identity, to the structure of the Silberman patent, plaintiff's Exhibit 3 in suit." [R. 315.]

In fact, when pressed by the Court as to whether defendant claimed non-infringement, Mr. Mockabee candidly stated: "Our principal defense with regard to the Silberman patent is invalidity." [R. 320.]

A reading of Claim 40 on the accused device applies as well to Claims 13, 32-36 and 39. As to Claims 1-4, 37 and 38, Mr. Doble applied these claims to the accused device as well [R. 322-326].

We do not understand that defendant denies that the claims of Silberman in suit can thus be applied to the accused devices, and the Court apparently agreed. Thus at R. 340, the Court observed:

"* * * But it doesn't look to me from what I have seen so far and from these drawings and exhibits that infringement is an issue in this case." [R. 340.]

"Mr. Mockabee: There are some questions of infringement with regard to claims 1 through 4 of Poux" [R. 341].

He made no reply as to Silberman.

Now, concededly, defendant has added to the Silberman disclosure. It has added grooves in the upper die block and cooperating V-shaped punches on the base so as to convert from round headed elements to square elements and the lip on the closing jaw and a vacuum device to remove chips. But these do not change the operation of the device in any way or subtract from the accused devices any of the elements patented by Silberman.

It is probably the presence in the accused devices of these additional improvements that led the District Court to find non-infringement, but that is manifestly erroneous.

As stated by this Court in *Stebler v. Riverside Heights Orange Growers' Ass'n*, 205 Fed. 735, 739, cert. den. 231 U. S. 748:

“One who appropriates another’s patented invention, even though he may add thereto another element to perform an additional function, is guilty of infringement.”

That case in turn refers to *Cimiotti Unhairing Co. v. American Unhairing Mach. Co.*, 115 Fed. 498, 504 (2 Cir.), which held:

“The mere fact that there is an addition or the mere fact that there is an omission, does not enable you to take the substance of the plaintiff’s patent. The question is, not whether the addition is material, or whether the omission is material, but whether what has been taken is the substance of the invention.”

See also:

Elizabeth v. Pavement Co., 97 U. S. 126 at 137.

We have noted above that the Court in its final decision reversed its position on the Havekost defense, on oral license from Silberman and on estoppel based on McKee’s visit. We can only conclude that its similar reversal on infringement was to present plaintiff with a case wherein it lost on all the issues. At the end of this case, the District Court took over, reopened the case on its own motion [R. 1160-1161] despite plaintiff’s objection and without a request from defendant.

Subsequently, the District Court has twice warned defendant that this case can be reversed [R. 1305-1306, 1329-1330].

Frankly, we believe that it is so obvious that the Court was in error in each case where it reversed its earlier tentative conclusion as to raise an inference that somewhere along the way the District Court got completely off the track and that on this appeal justice demands a complete reversal.

Plaintiff Stole Nothing From Defendant.

Conclusion XI [R. 191] that plaintiff utilized its inspection of defendant's machinery in order to gain from defendant numerous improvements incorporated in plaintiff's machines, and the findings XII [R. 177] and XXXXVI [R. 187] are erroneous, have no support in the record, and should be reversed. The specific items listed in finding XII [R. 177], are the ones found to have been taken from defendant by plaintiff without adequate compensation.

McKee spent about one-half hour going through defendant's plant on April 15, 1948 [R. 1411], and then returned to the office. Lipson had remained in the office [R. 901]. There is no evidence that any of these improvements were shown to McKee or any one else connected with plaintiff. There is no claim of novelty in any of these improvements [R. 741].

Lipson made each of his specified improvements between March 3, 1949 and the end of August 1949 [R. 956-957], after Loew left the company March 21, 1949 [R. 810]. This was a year after McKee's visit. Plaintiff could not have learned of them from this earlier inspection in 1948.

At the interview between Silberman, Loew and Lipson at the Hollywood-Roosevelt Hotel in August of 1948,

Silberman accused Loew of bribing one of his employees (Murray Waldman) to disclose matters he was not supposed to disclose [R. 874] and Loew “. . . evidently felt guilty of something that he did . . .” [R. 878]. Prior to severing connections with Union and long prior to McKee’s visit in 1948, Loew hired Murray Waldman to make his machine work [R. 1387], knowing that Waldman had previously been employed by Silberman in building the machine of the patent in suit [R. 935-937, 1046-1047, Ex. 18]. Waldman was again employed by defendant from August 1950 until 1954 [R. 234]. Samuel Borson, from Triple Tool & Die Co. in Detroit had worked on plaintiff’s zipper machine tools. He was hired by defendant in April, 1952 and has remained in its employ [R. 892]. He had previously built a chain machine for California Slide Fastener Company [R. 892]. In view of this evidence how can a court of justice find that plaintiff acquired these things from defendant?

It is far more logical to presume that Waldman and Borson disclosed to defendant the improvements made by Silberman and plaintiff in the Silberman patented machine than to surmise that, merely because similar improvements not shown in the patent in suit were used in machines of both plaintiff and defendant, they originated with defendant.

The origin of defendant’s improvements was most uncertain because many of defendant’s drawings relating to the improvements made in defendant’s machine were lost during the two fires of undetermined origin at defendant’s plant on October 2, 1949 and February 15, 1954 [R. 955].

It is a sad commentary that a patent owner can be branded with unclean hands and be “guilty of bad faith amounting to fraud” merely because an infringer, who patterned his machine from machines used by a licensee under the patent (California Slide Fastener Company) and hired a tool maker (Waldman) who had helped construct and develop the patented machine, and another tool maker who had worked on plaintiff’s tools (Borson), shows that a few improvements made after the patent application was filed, appear both in the infringing machine and in the patent owner’s machine.

If there were any theft of any of these ideas from defendant, the burden was on the defendant to at least show some possible connection. That has not been done here.

A more detailed investigation of each of the items allegedly stolen by Talon shows even more conclusively that Talon did not appropriate these items from Union as a result of McKee’s half-hour visit in 1948.

The particular items found to have been taken by plaintiff from defendant are listed under finding XII [R. 17708] and are discussed here under the same reference letters as used in the finding. The facts regarding these items are:

**(a) The Spring Leaves Used in Plaintiff’s Exhibit 5
Machine to Carry the Ram.**

Plaintiff’s Exhibit 5, using the spring leaf supports for the ram, came just prior to plaintiff’s negotiation with Silberman for the second agreement, Exhibit 8, executed March 8, 1949. It was a main reason for making that agreement [R. 548, 556]. It was a Silberman development [R. 1041].

Defendant never used any such construction. It used the ram with the "V"-shaped ends as shown in the patent in suit for carrying the punch block. Lipson testified regarding Exhibit AP that has the "V"-shaped ram ends:

" . . . this is a punch block holder which we are using now" [R. 727].

Defendant's accused machine, Exhibit AZ, uses the "V"-shaped ram ends shown in the Silberman patent in suit. There is no evidence that anyone connected with defendant ever knew of the leaf spring mounting of the ram until after plaintiff's Exhibit 5 machine was produced. Lipson could have described this mounting better ". . . if you have hours to take it apart and see it function" [R. 822].

(b) The Lip on the Closing Jaw for Clamping the Zipper Elements on the Tape.

Lipson developed this improvement in 1949 [R. 749] long after McKee's half-hour trip through defendant's plant. Even after Lipson had examined plaintiff's Exhibit 5 machine and knew what he was looking for, he was not sure that this idea was used in the machine [R. 744]. How could it be noticed on casual inspection of the machine? A similar lip on a closing jaw 49 is shown in Figs. 9, 10, 11 and 12, Talberlet patent 2,294,253 [R. 1838]. Plaintiff used similar lips 74 on closing jaws 67 in its production machine shown in Sundback Patent 1,467,015 Fig. 15, sheet 7 of drawings [R. 482 and 1696]. Each applies individual elements but the principle is the same.

(c) An Ejector Die on the Cut Off Punch to Prevent Zipper Elements Bunching Up.

Lipson made this improvement in May or June 1949 [R. 834]. This again was long after McKee's visit. The ejector was fifteen-thousandths of an inch long [R. 832]. Could anyone observe a thing this small on a one-half hour trip through an operating plant? We think not. There is no evidence that it was ever explained to or shown to McKee.

(d) No "V"-Shaped Ram as in the Silberman Patent.

Defendant uses the "V"-shaped ram ends on its punch holder Exhibit AP [R. 727 and 820] from the accused machine [Ex. AZ]. Defendant's ram was redesigned in 1949 [R. 728] to use different metals for the ram and gibs but defendant continued to use the form of ram with V-shaped ends shown in the Silberman patent in suit. Plaintiff uses the spring leaf support for its ram (see item (a) above). How could plaintiff learn *not* to use a "V"-shaped ram from defendant that used such a ram?

(e) A Device for Providing Spacing Between Sets of Zipper Elements.

About August 1947, Lipson saw an electronic gap spacing device on the Silberman machines used by California Slide Fastener Company [R. 751] and adopted it for defendant's machines [R. 754]. He examined the spacing device used on plaintiff's Exhibit 5 machine and testified:

"There is a company who builds those and we have the same thing installed in our exhibit here" [R. 754].

Silberman '793 describes a gap spacing device used in his machine in line 73 column 16 through line 19 of column 17 [R. 1664].

(f) The Vacuum or Suction Device for Removing Metal Chips.

So far as Lipson knew, this "might have originated 300 years ago" [R. 823]. He had not previously seen a vacuum collector used on a zipper machine [R. 826]. For that matter he never saw a zipper machine until 1947 and knew nothing about such machines [R. 710]. Vacuum and pressure collectors of this kind have long been used on zipper and other machines for removing metal chips. A pressure-operated chip collector is shown in Fig. 23 [R. 1923] of Ulrich patent 2,370,380 and described on page 4 of that patent, second column, lines 8-33 [R. 1927].

There is a complete absence of any evidence supporting either finding XII [R. 177] or finding XXXXVI [R. 187]. There is no evidence from which conclusion XI [R. 191] may reasonably be derived. Each of these findings and the conclusion should be reversed as not supported by any evidence in this record and as contrary to all of the relevant evidence.

Unclean Hands and the Antitrust Laws.

The Controlling Law.

The District Court found unclean hands and misuse in Talon's quota license agreements when coupled with an intent and attempt to monopolize a substantial part of the zipper market in violation of Section 2 of the Sherman Act. Since there is no finding that the license agreements

by themselves constitute misuse, the case turns on the question of intent and an attempt to monopolize. It is at this point that the District Court committed legal error.

This Court stated the controlling law very clearly in the case of *Cutter Laboratories v. Lypophile-Cryochem Corp.*, 179 F. 2d 80, thus:

“Patent pools and cross-licensing agreements, when formed in a legitimate manner for legitimate purposes, are not illegal in themselves. *Standard Oil Co. v. United States*, 283 U. S. 163, 51 S. Ct. 421, 75 L. Ed. 926. Nor is an agreement to assign patents on future inventions within a specified field inherently illegal. *Transparent Wrap Machine Corp. v. Stokes & Smith Co.*, 329 U. S. 637, 67 S. Ct. 610, 91 L. Ed. 563. *It is only where the agreements are used to effect a restraint of trade or a monopoly that they violate the law*, as where they are used to fix prices, *United States v. Line Material Co.*, 333 U. S. 287, 68 S. Ct. 550, 92 L. Ed. 701, or to suppress competition from unpatented articles, *Morton Salt Co. v. Suppiger Co.*, 314 U. S. 488, 62 S. Ct. 402, 86 L. Ed. 363, or to monopolize an entire industry by pooling the dominating patents and allocating fields of manufacture among companies which would otherwise be in competition. *Hartford-Empire Co. v. United States*, 323 U. S. 386, 65 S. Ct. 373, 89 L. Ed. 322.” (P. 92; emphasis added.)

* * * * *

“But conceding the patent pool did place in the hands of the parties a power to exclude competition from the industry by fixing prices or charging unreasonable royalties or other methods, that power by itself could not constitute unlawful monopolization *unless accompanied by a purpose or intent to exclude*

competition. United States v. Griffith, 334 U. S. 100, 68 S. Ct. 941, 92 L. Ed. 1236; American Tobacco Co. v. United States, 328 U. S. 781, 809, 814, 66 S. Ct. 1125, 90 L. Ed. 1575.” (Pp. 93-94; emphasis added.)

The District Court was very much aware of the *Cutter Laboratories* case and cited it in its Opinion [R. 150].

Attempt to Monopolize Defined.

In *American Tobacco Co. v. United States*, 328 U. S. 781, the Supreme Court said:

“The phrase ‘attempt to monopolize’ means the employment of methods, means and practices which would, if successful, accomplish monopolization, and which, though falling short, nevertheless approach so close as to create a dangerous probability of it, which methods, means and practices are so employed by the members of and pursuant to a combination or conspiracy formed for the purpose of such accomplishment.” (P. 785.)

The Supreme Court further defined the term in *United States v. Griffith*, 334 U. S. 100, when it said:

“It is, however, not always necessary to find a specific intent to restrain trade or to build a monopoly in order to find that the anti-trust laws have been violated. It is sufficient that a restraint of trade or monopoly results as the consequence of a defendant’s conduct or business arrangements. *United States v. Patten*, 226 U. S. 525, 543, 57 L. ed. 333, 341, 33 S. Ct. 141, 44 L. R. A. NS 325; *United States v. Masonite Corp.*, 316 U. S. 265, 275, 86 L. ed. 1461, 1473, 62 S. Ct. 1070. To require a greater showing would cripple the Act. As stated in *United States v. Aluminum Co. of America* (CCA

2d NY) 148 F. 2d 416, 432, 'no monopolist monopolizes unconscious of what he is doing.' *Specific intent in the sense in which the common law used the term is necessary only where the acts fall short of the results condemned by the Act.* The classical statement is that of Mr. Justice Holmes speaking for the Court in *Swift & Co. v. United States*, 196 U. S. 375, 396, 49 L. ed. 518, 524, 25 S. Ct. 276:

“Where acts are not sufficient in themselves to produce a result which the law seeks to prevent—for instance the monopoly—but require further acts in addition to the mere forces of nature to bring that result to pass, an intent to bring it to pass is necessary in order to produce a dangerous probability that it will happen. *Com. v. Peaslee*, 177 Mass. 267, 272, 59 N. E. 55. But when that intent and the consequent dangerous probability exist, this statute, like many others and like the common law in some cases, directs itself against that dangerous probability as well as against the completed result.” (Pp. 105-106; emphasis added.)

The Supreme Court clearly recognized two situations, the first in which a monopoly is found to exist and an intent to monopolize can be presumed and the second in which no monopoly is found and a specific intent to monopolize must be proven. In this case no monopoly was found to exist and the second situation applies. A specific intent and attempt to monopolize must be proven. The District Court erred in presuming an intent from the scanty evidence before it and not recognizing that an intent must be proven.

Evidence Before the Court.

The evidence before the Court shows that Talon, starting with a legitimate patent monopoly in the early thirties, has followed a policy which has consistently opened up the market. Prior to World War II, Talon had 60% of the zipper market [Finding XXVII, R. 182] but subsequent to World War II, it had only 30% [Finding XXIX, R. 183]. It licensed its patents freely and without any attempt to suppress competition even though it had a strong patent position, many of its patents having been sustained in pre-World War II actions.

American Agreement.

The American Agreement is dated June 1, 1934, and expired by limitation on May 31, 1944 [Ex. AH, par. 19]. American was relieved of the obligation to pay royalties thereunder by a letter agreement dated July 7, 1938 [Ex. AH-2] and the agreement continued royalty-free on a year-to-year basis.

Presumably the Court had paragraph 7 in mind when it found the agreement "clearly illegal." Paragraph 7 provided that the licensee Sterling could not sell slide fasteners manufactured under the agreement at prices which were lower or more favorable than Talon's prices. Since Talon's patent on the zipper itself was contested on its merits and found valid and infringed, the legality of this provision is without question in view of *United States v. General Electric Co.*, 272 U. S. 476, and *United States v. Line Material Co.*, 333 U. S. 287. This provision shows only an intent to prevent the licensee from selling a particular patented form of zipper, a specimen

of which was appended to the agreement, at a price that was lower than the licensor's price.

There is nothing in the American agreement which supports an intention to monopolize the slide fastener industry.

Los Angeles Conference.

The Los Angeles conference proved nothing. No officers of Talon were present and the conference had no official sanction or status. The conference was merely an informal meeting of salesmen at which they aired their mutual grievances. No agreement was reached at the conference. The only positive conclusion which can be derived from the conference is the fact that the zipper business is highly competitive and cannot be dominated by any one party. One witness present at the conference, Isadore O. Napp, said that if necessary he would put a gold nugget in each box of zippers in order to sell them [R. 1476].

There is nothing in the record of the conference which supports an intention on the part of Talon to monopolize the slide fastener industry.

Quota Agreements Not Restrictive.

The quota agreements are not restrictive and no intent to attempt to monopolize the zipper industry can be derived from the quota agreements themselves. The District Court inferred that it was unprofitable for the licensees to exceed their royalty-free quota [Finding XXXIII, R. 185] but simple mathematics points up the error of this inference.

The Conmar license, Exhibit 11, is specifically taken to illustrate the point because it was the only one in which the quota was ever remotely approached and only once exceeded. In 1950 Conmar sold 118,781,000 slide fastener units [R. 692]. Conmar's quota for the year 1950, per Exhibit 11, was 114,500,000 slide fastener units [R. 692] or exceeded its quota by 4,281,000 units, or 3.74%. In accordance with paragraph (e) of Exhibit 11, the royalty for the over-the-quota units was 10% of the aggregate net sales price thereof. A 10% royalty on 3.74% of its total sales becomes the insignificant rate of .374%. There is nothing restrictive or oppressive about this overall royalty rate.

A glance at the quota figures and actual sales for Conmar for the years 1940-1950 [R. 692] further shows the unrealistic basis and error of the Court's conclusion. In the years 1940 to 1949 the closest that Conmar came to its quota was in 1949 when it sold 81,731,000 units against a quota of 102,000,000 units. Conmar's production was about twenty percent (20%) less than its royalty-free quota. If the quota was in any way acting as a restraining force on Conmar's production, it is reasonable to suppose that Conmar would stop production twenty percent (20%) below its quota? Obviously it would stop production at the quota or a bit under it but no licensee did this.

No Distinction Over DuPont Case.

The controlling case is *United States v. E. I. DuPont De Nemours & Co.* (D. C. Del., 1953), 118 Fed. Supp. 41, affirmed on direct appeal by the Supreme Court at 351 U. S. 377. This decision is one hundred and ninety-

two pages long and appellant cannot attempt to digest any more than the relevant portions in this brief.

The United States charged DuPont with monopolizing and attempting to monopolize trade and commerce in cellophane. As partial basis for the charge it pointed to a 1933 agreement between DuPont and Sylvania [Findings of Fact 533-583, pp. 149-159].* While this agreement was a cross-licensing agreement, DuPont held the dominant patent. In the 1933 agreement, DuPont gave Sylvania a license to manufacture and sell moisture-proof cellophane at a basic royalty of 2% of the net selling price [Finding of Fact 545(8), p. 152]. For all sales in excess of 20% of the combined sales of DuPont and Sylvania, an additional royalty was charged amounting to twenty cents per pound or thirty percent (30%) of the net selling price, whichever was greater [Finding of Fact 545(12), p. 152]. Sylvania could not produce cellophane by economical processes outside the scope of the DuPont patents and had no alternative royalty-free production process available to it [Finding of Fact 542, p. 151]. The District Court found that DuPont did not attempt and was not attempting to monopolize [Finding of Fact 646-660, pp. 169-171]. It also found that DuPont had not monopolized [Findings of Fact 687-732, pp. 174-181].

The District Court said:

“There is no decision which I could find after long research, which holds a license agreement such as the one involved here violates the Sherman Act.

*These and subsequent references are to Findings of Fact in the *DuPont* case.

Granting validity and scope of duPont's basic moistureproof patent, it is difficult to show how duPont can be held to have restrained trade by granting a license which permitted another to manufacture lawfully the patented product, when there is no showing that as a result of the agreement duPont's position was in any way enhanced or others who might have desired a license were precluded from entering the field. Cases on which plaintiff relies deal with combinations of patents under circumstances where the cross licensing parties sought to create a position of market control beyond that which either of them was entitled to through the exercise of its own patents. None of the cases affect legality of the grant-back provisions of the Sylvania license under the tests stated by Judge Hand in the *Transparent-Wrap* case.

“As patentee duPont had right to fix royalties at graduated scales on amount of Sylvania's production. *United States v. General Electric Co.*, 272 U. S. 476, 47 S. Ct. 192, 71 L. Ed. 362; *General Talking Pictures Corp. v. Western Electric Co.*, 305 U. S. 124, 59 S. Ct. 116, 83 L. Ed. 81. No limitation of production by Sylvania under its own patents existed or is charged.

“In its contentions of suppression of competition and assertion of monopoly power, plaintiff fails to come to grips with fact throughout the period that graduated royalties were in effect, Sylvania's entire moistureproof production fell within valid claims of the broad product patent. The record shows Sylvania produced moistureproof cellophane utilizing the patent. It was not required to pay any royalty if it developed types of cellophane not covered by the patent. On these facts, there is no authority to

support the contention it would have been in any way illegal under the Sherman Act for duPont to limit Sylvania's production. The cases are to the effect owner of a valid product patent may by license restrict production of the licensee to a specified quantity at a specified place." (P. 226.)

The District Court below distinguished over the *DuPont* case on the grounds that there was no limitation on production by DuPont's licensee Sylvania under Sylvania's own patents whereas Talon's quota license imposed such a limitation by means of royalty provisions which based the royalty on all products manufactured, whether under Talon patents or patents belonging to the licensee [R. 151, 152]. There is no foundation for this distinction and the quota agreements themselves clearly provide to the contrary. Most of the quota agreements contain a provision identical or similar to paragraph 10 of the Conmar agreement, Exhibit 11, which reads:

"Nothing in this agreement contained shall be construed to obligate licensee to use at any time the method or methods covered by this agreement to the exclusion or disadvantage of any other method available to licensees."

The quota was based on products manufactured under the licensed patents and there is no finding to the contrary and no basis for such a finding in the agreements themselves.

The facts of the subject case are less restrictive than those of the *DuPont* case and do not go beyond the *DuPont* case as the District Court stated. Talon's licenses were royalty-free below the quota and then had above-the-quota royalties of 5% to 15% of net sales price

or less instead of the 30% royalty imposed by DuPont. Talon's licensees were free to manufacture and sell outside the license agreements by using machines and processes which were in the public domain whereas it was not possible to manufacture moistureproof cellophane outside the scope of DuPont's patents.

Chief Judge Leahy's single conclusion of law in the *duPont* case summarizes the situation:

"The facts destroy the charges here made. There has been no monopolization or conspiracy or combination or attempt to monopolize shown. The record reflects not the dead hand of monopoly but rapidly declining prices, expanding production, intense competition stimulated by creative research, the development of new products and uses and other benefits of a free economy. DuPont nor any other American company similarly situated should be punished for its success. Nothing warrants intervention of this court of equity. The complaint should be dismissed." (P. 233.)

Exhibit 7, Cap-Tin License Agreement.

Introduction.

It should first be noted that Talon did not have title to Silberman '793 at any time during the life of the Exhibit 7 agreement and can not be found to have misused a patent which it did not own. The provisions of paragraph 5(a) did not apply to Silberman '793. In the Exhibit 7 agreement, Talon merely took a license from Silberman under Silberman '793. Exhibit 7 was cancelled April 18, 1949, and superseded by the agreement of Exhibit 8, which is the first agreement in which Talon granted a license under Silberman '793.

The District Court found that when the licensee exceeded its quota of production provided for, the Cap-Tin license agreement tied in unpatented with patented art [Finding XXXVIII, R. 185]. The basis for this determination is in the second sentence of paragraph 5(a) of the agreement which reads:

“Cap-Tin agrees that all quantities of fasteners or fastener chain which it may acquire from others and resell, shall be included along with fasteners or fastener chain made by machines licensed herein to Cap-Tin in the computation of the royalties agreed to be paid in this paragraph 5(a) hereof.”

**Exhibit 7 Agreement Confined to Fastener Units
Manufactured Under Licensed Patents.**

On its face, the Cap-Tin agreement is confined to slide fastener units manufactured under the patents licensed therein and there is no illegal extension of the patent monopoly or tie-in. Paragraphs 2(a) and 2(b) carefully define the terms “slide fastener” or “fastener” as used in the agreement to mean units made by a process or machine, or both, covered by a claim or claims of the patents of Talon which are licensed therein. When paragraph 5(a) refers to “all quantities of fasteners or fastener chain” which might be acquired from others and resold by Cap-Tin and which have to be included in computing royalties, the definition of paragraph 2(a) applies and limits the terms to fasteners and fastener chain within the scope of the licensed patents. In other words, if Cap-Tin purchased and resold fastener units from a third party which were made on machines or by methods which infringed Talon’s patents, it had to include them in its royalty computations. That the parties

had this construction of the agreement in mind is confirmed by the last sentence of paragraph 5(a) which voids any implication of license being given to others by the terms of paragraph 5(a). If the sentence requiring that all fastener units be included in royalty computations were intended to be without limitation and broader than the clear definition of paragraph 2(a), there would have been no necessity for the last sentence of paragraph 5(a).

Even as Misconstrued, Exhibit 7 License Not Illegal.

Even when the Cap-Tin license is construed in the way that the District Court construed it, there is no misuse and illegal extension of the patent monopoly. The sale of unpatented materials merely becomes a factor in determining royalties due under the agreement.

Bearing in mind the fact that the license had a large royalty-free quota, the only effect of this construction of paragraph 5(a) is to reduce the royalty-free quota by an amount equal to the quantities of fastener units acquired from others and resold. It is for this reason that the District Court found misuse only "when the license exceeded its quota of production provided for" [Finding XXXVIII, R. 185]. Since Cap-Tin was primarily a manufacturer and not a jobber and did not purchase fastener units for resale to others and since it never exceeded its quota, the questioned sentence of paragraph 5(a) had no practical effect and in no wise allegedly extended the patent monopoly.

While the District Court was not specific in its finding that the provision tied patented to unpatented articles, it must have been reasoning that royalties due on use

of the patented invention were measured in part by sales of unpatented units. There is no misuse in this circumstance.

The Supreme Court conclusively passed on the question in the case of *Automatic Radio Manufacturing Company, Inc. v. Hazeltine Research, Inc.*, 339 U. S. 827. In that case, Hazeltine required its licensees to pay a royalty of approximately one percent of the selling price of radio broadcasting receiver sets sold by the licensees whether the sets utilized the licensed invention or not. Royalties were measured in part by sales of unpatented units. The case went up on a motion for summary judgment and the principal issue was whether this license constituted misuse. The Court sustained the agreement and refused to find misuse. It said:

“That which is condemned as against public policy by the ‘Tie-in’ cases is the extension of the monopoly of the patent to create another monopoly or restraint of competition—a restraint not countenanced by the patent grant. * * * The principle of those cases cannot be contorted to circumscribe the instant situation. This royalty provision does not create another monopoly; it creates no restraint of competition beyond the legitimate grant of the patent.” (Pp. 830-833.)

The District Court confused misuse with a legitimate tie-in between patented and unpatented goods for the purpose of determining royalties due. The Exhibit 7 license agreement does not constitute misuse on the authority of the Hazeltine Research case.

The Court Erred in Awarding Attorneys' Fees to Defendant and the Award Is Excessive.

The District Court has awarded defendant \$20,000.00 as attorneys' fees. To support this award, the Court entered findings of fact as follows:

“XXXXIII.

“Plaintiff's conduct is convincing that it considered the validity of Poux '017 and Silberman '793 as being questionable and had not heretofore permitted their adjudication.

XXXXIV.

“Notwithstanding the licenses by Silberman and assurances given defendant by Silberman and McKee, this suit was instituted by plaintiff with no further investigation as to infringement.

“XXXXV.

“The action was brought by plaintiff in bad faith and without reasonable belief in the validity of the patents and the litigation proves harassment and misconduct on plaintiff's part.”

These findings are clearly erroneous. Finding No. XXXXIII is apparently based upon the observation by the Court that, though plaintiff has brought several suits involving Poux '017, these suits have been settled and never went to trial.

We may ask “What's wrong with that?” We understood that the policy of the law was to encourage the settlement of lawsuits. No less than 30 days ago, a retired Federal Judge (Judge Biggs) was sitting in Los Angeles, calling cases at issue on a special pretrial calendar attempting to arrange as many settlements as possible, and he was very successful.

Furthermore, this finding is obviously erroneous as applied to Silberman. Talon acquired title to the Silberman Patent April 18, 1949 [Ex. 8].* This suit followed promptly, being filed October 17, 1949. The delays in prosecuting this case are not chargeable to plaintiff, who was in fact enjoined from prosecuting the case during the defendant's bankruptcy proceedings.

We don't think it proper to infer that a patent owner who pays \$75,000.00 for a patent and who files action on it within six months, exhibits any lack of faith in the patent.

So what we have here is simply the ordinary, usual patent case. Any harassment of defendant is that normal to any defendant in such a case. Even the acts relied upon by the District Court as constituting misuse or violation of the antitrust laws have been found not to have damaged defendant.

The defendant cannot point to a single piece of evidence which supports the finding of bad faith on behalf of plaintiff.

This case is comparable to *Associated Plastics Companies v. Gits Molding Corp.* (C. A. 7), 182 F. 2d 1000, wherein the Seventh Circuit Court of Appeals under similar facts reversed a finding of bad faith and an award of attorneys' fees, pointing out that the plaintiff had a right to rely on the presumption of validity arising out of the grant of the patent.

If the finding of bad faith can stand in this case, it can in any case where the plaintiff does not prevail, which

*It had secured a license under it June 16, 1945 [Ex. 7].

in effect means attorneys' fees can be awarded in any such case despite this Court's rulings in *Day Brite Lighting v. Ruby Lighting Corp.*, 191 F. 2d 521, and *Parkin-Theatres v. Perkins*, 190 F. 2d 137.

In any event, the fees awarded defendant are excessive, and amount to a windfall for defendant. The testimony of defendant's lawyers shows they agreed to handle the case of \$13,500.00 [R. 1293-1294].

Now this case was at least half an antitrust counterclaim which defendant lost. The case itself took nine trial days (two days more were used in testimony as to attorneys' fees). Under such circumstances, \$20,000.00 is clearly excessive. In fact, this Court has so ruled in *Dubil v. Rayford Camp & Co.*, 184 F. 2d 899, where \$15,000.00 was held excessive in a nine-day patent case.

In conclusion, then, with respect to the award of attorneys' fees, we find that this is not a proper case for the award of attorneys' fees to defendant and, in any event, the award made is excessive.

Conclusion.

In conclusion it is respectfully submitted that the Silberman Patent is a valid patent covering a new combination of elements having a new functional relationship not present in the prior art and that the invention was successfully employed by California Slide Fastener Company and has been appropriated by defendant by its infringement of the Silberman Patent. The Silberman invention is in no part the work of Havekost and accordingly the patent is valid and infringed.

The special defenses of license and estoppel alleged by the defendant and found by the court are not supported by the record and should be reversed.

The finding and conclusions of the District Court to the effect that plaintiff appropriated improvements from defendant are clearly erroneous and should be reversed.

The finding of misuse and violation of the antitrust laws is not supported by the facts of this case or the appropriate law and should be reversed.

And finally it is respectfully submitted that the court erred in awarding attorneys' fees and in any event the fees awarded are excessive.

It is respectfully submitted that simple justice in this case demands a complete reversal of the District Court.

Respectfully submitted,

LYON & LYON,
LEONARD S. LYON,
CHARLES G. LYON,

811 West Seventh Street,
Los Angeles 17, California,

Attorneys for Talon, Inc. Appellant.

MCCOY, GREENE & TEGROTENHUIS,

WILLIAM C. MCCOY,

524 Bulkley Building,
Cleveland 15, Ohio,

Of Counsel.

APPENDIX I.

o.	<u>PLAINTIFF'S EXHIBITS</u>	<u>Page References to Record where Exhibits</u>			
		<u>Identified</u>	<u>Offered</u>	<u>Received</u>	<u>Rejected</u>
	Poux Patent No. 2,078,017	227	227	228	
	Metal Strip	242-3	243	243	
	Silberman Patent No. 2,437,793	256	256	256	
	Cardboard Chart of Claim 40 of Pat. '793 Illustrating structure	257	257	257	
	Machine for producing zippers	289	289	289	
	Deposition of Philip Lipson	295	293	295	
-1	Blueprint [Ex. 1 to Lipson Depos.]	295	293	295	
-2	Blueprint [Ex. 2 to Lipson Depos.]	"	"	"	
-3	Print [Ex. 3 to Lipson Depos.]	"	"	"	
-4	Drawing [Ex. 4 to Lipson Depos.]	"	"	"	
-5	Drawing [Ex. 5 to Lipson Depos.]	"	"	"	
-6	Drawing [Ex. 6 to Lipson Depos.]	"	"	"	
-7	Drawing [Ex. 7 to Lipson Depos.]	"	"	"	
-8	Drawing [Ex. 8 to Lipson Depos.]	"	"	"	
-9	Drawing [Ex. 9 to Lipson Depos.]	"	"	"	
-10	Drawing [Ex. 10 to Lipson Depos.]	"	"	"	
-11	Drawing [Ex. 11 to Lipson Depos.]	"	"	"	
-12	Drawing [Ex. 12 to Lipson Depos.]	"	"	"	
-13A to					
-13L	Photographs [Exs. 13-A to 13-L, Inc. to Lipson Depos.]	"	"	"	
-14	Print [Ex. 14 to Lipson Depos.]	295	293	295	
-15	Sketch [Ex. 15 to Lipson Depos.]	"	294	"	
	Agreement 7/16/45 between Talon & Cap-Tin & Silberman	453	455	455	
	Silberman & Talon Agreement 4/18/49	458	458	458	

		<u>Identified</u>	<u>Offered</u>	<u>Received</u>	<u>Rejected</u>
9	Silberman, Charm Slide & Lightning Fasteners, Ltd. Agreement 12/16/46	462	463	463	
10	Agreement 12/31/47 between Silberman & Companhia Brasileira De Metais	463	464	464	
11	Agreement 1/1/40 between Talon & Conmar Products	465	465	465	
12	Agreement 6/7/51 between Talon & Conmar Products	466	466	466	
13	Sundback Pat. 1,467,015	482	482	482	
14	Report of McKee to Meech 4/29/48	572	572	573	
5-A	Metal Strip	736	736	736	
5-B	Metal Closing Jaw	747	747	747	
5-C	Metal Closing Jaw Housing	747	747	747	
15	Copy letter, 8/12/48 to Union Slide	1044	1044	1046	
5-D	Two-Piece Punch	957	957		
16	Copy of Conmar v. Lamar Findings of Fact & Concls. of Law	1035	1035	1035	
17	Agreement, 4/7/44 between Cap-Tin & Queen Mfg. Co.	1035	1035	1036	
18	Letter, 8/11/48 to Sigmund Loew & Union	1039-40	1042	1046	
19	Chart re Poux Pat. '017 Claim 17	1052	1054	1054	
20	Chart re Silberman Pat., Claim 37	1052	1054	1054	
21	Chart re Silberman Pat., Claim 30	1053	1054	1054	
22	Ulrich Pat. 2,221,740	1084	1084	1084	

DEFENDANT'S EXHIBITS

<u>No.</u>					
A	Zipper Chain	420	1000		1000
B	Zipper Chain	420	1000		1000
C	Zipper Chain	420	1000		1000
D	Die Punch	423	1001	1002	
E	Sundback Pat. 1,331,884	440	506	506	
F	Sundback Pat. 1,947,956	510	510	510	
G	Smith Pat. 1,533,352	511	511	511	
H	Johnson Pat. 1,731,667	513	513	514	

	<u>Identified</u>	<u>Offered</u>	<u>Received</u>	<u>Rejected</u>
	Hommel Pat. 1,659,266	517	517	517
	Binns Pat. 2,026,413	518	518	518
K	Taberlet Pat. 2,294,253	520	520	520
,	Wintritz Pat. 2,201,068	520	521	521
M	Sundback Pat. 1,467,015	522	522	522
V	Murphy Pat. 1,664,880	522	522	522
)	Loew Pat. 2,444,706	523	523	523
P-1	Letter, 5/17/47, McCoy to Union Slide	560	560	561
P-2	Letter, 6/16/47, Union Slide to Evans & McCoy	560	560	561
P-3	Letter, 9/15/47, McCoy to Loew	561	561	561
P-4	Letter, 9/23/47, Union to McCoy	561	561	561
P-5	Letter, 9/26/47, McCoy to Lipson	561	561	561
P-6	Letter, 11/12/47, McCoy to Union Slide	561	561	561
P-7	Letter, 11/20/47, Union to Evans & McCoy	562	562	562
P-8	Letter, 6/22/48, Union to McKee	562	562	563
P-9	Letter, 6/25/48, McKee to Loew	564	564	564
P-10	Letter, 1/20/48, McCoy to Union Slide	564	564	564
)	Deposition of Loew taken 11/25/52	566	566	566
R	Assignment, 8/22/49, Havekost to Silberman	578	578	578
S	List of Patent suits filed by Talon	586	586	586
'	Two releases and Stipulation	591	591	591
J	Agreement, 11/21/49, between Talon, Star & Ridgewood	612	612	613
00	Agreement, 6/12/47, between Talon, Slidelock & Lange	619	619	620
00	Agreement, 5/10/50, between Talon & Waldes Koh-I-Noor	623	623	624
V	Agreement, 10/6/38, between Talon & Joy Mfg. Co.	632	633	633
K	Stipulation and Final Decree in Talon v. Carney Fasteners	633	633	633
Z				

		<u>Identified</u>	<u>Offered</u>	<u>Received</u>	<u>Reject</u>
Z	List of Holders of Licenses from Plaintiff	633	634	634	
AA	Agreement, 6/19/45, between Prentice Mfg., Cap-Tin & Silberman	645	645	645	
AB	Agreement, May, 1946, between Charm Slide Fastener, Silberman, Slidelock & Lange	646	646	646	
AC	Agreement, 5/22/45, between Talon & Universal Slide	648	648	648	
AD	Agreement, 8/9/45, between Talon & Strauss Fasteners	652	652	652	
AE	Agreement, 5/7/48, between Talon & Marvel Slide	655	655	655	
AF	Agreement, 10/29/46, between Talon & Hared Fastener	656	656-7	657	
AG	Agreement, 6/1/45, between Talon & Rex Slide	657	657	657	
AG-1	Agreement, 9/2/47, between Talon & Rex Slide	970	970	970	
AH	Agreement, 6/1/34, Hookless Fastener & American Fastener	659	659	660	
AH-1	Letter, 6/9/50, American Fastener to Talon	660-1	661	661	
AH-2	Letter Agreement, 7/7/38, between Talon, American & Sterling	661	661	661	
AI	Deposition of Jager taken 11/25/52	688	688	689	
AJ	Deposition of Detweiler taken 11/25/52	689	689	689	
AK	Deposition of Eisenberg taken 11/25/52	689	689	689	
AL	Deposition of Napp taken 11/25/52	689	690	690	
AM	Deposition of Havekost taken 11/27/54	701	1017	1021	
AM-1	Assignment, 12/8/48, Havekost to Lange	701	1021	1021	
AM-2	Havekost affidavit, dated Dec., 1948	701	1021	1021	
AM-3	Silberman Pat. 2,437,793	701	1022	1022	
AN	Deposition of Wray, taken 2/25/55	702	702	702	

	Identified	Offered	Received	Rejected
Piece of Metal described as an ejector	718	718	718	
Ram Block & Punch holder block, metal	734	734	734	
Sketch by Lipson	743	743	743	
Part taken from deft's machine	756	756	756	
Metal punch from machine of California Slide	774	774	774	
Metal punch from deft's machine	775	775	775	
Lipson drawing illustrating strip progression of Silberman	777	778	778	
Lipson drawing illustrating strip progression of deft's machine	777	778	778	
Lipson drawing illustrating closing jaw of Silberman machine in action	780	780	783	
Zipper Chain	806	806	807	
Zipper Chain	806	806	807	
Deft's accused machine	824	824	824	
Vacuum container portion of Ex. AZ	826	826	826	
Deft's "Top-Stop" machine	842	842	842	
A Talon Zipper No. 3	848	848	849	
A Talon Zipper No. 5	849	849	849	
Plastic Zipper	850	850	851	
Letter, 2/4/52, Loew to Lipson	963	999		1000
Sundback Pat. 1,434,857	965	965	965	
Wintriss Pat. 2,336,662	965	965	965	
Ulrich Pat. 2,370,380	966	966	966	
Poux Pat. 2,169,176	966	966	966	
Behrens Pat. 2,267,783	967	967	967	
File history of Poux Pat. '017	968	969	969	
File History of Silberman Pat. '793	969	969	969	
Agreement between Union Slide, Loew & Lipson 9/27/47	1086	1086	1136	
Schedule of deft's damages	1087	1087		
Statement of Services rendered, 2/28/55, Wm. J. Graham to Union Slide	1092-3	1097	1097	
Statement of Services rendered, 3/9/55, W. J. Graham to Union Slide	1094	1097	1097	

		Identified	Offered	Received	Rejec
BQ	Statement 3/8/55, Biltmore Ho- tel to Wm. J. Graham	1097	1097	1098	
BR	Deposition of Isadore Napp				
BS	Deposition of William Hepworth				
BT	Legal Pat. 2,116,726	1164	1161	1165	
BU	Ulrich Pat. 2,302,075	1165	1165	1165	
BV	Ulrich Pat. 2,338,884	1165	1165	1165	
BW	Prentice Pat. 2,116,712	1165	1165	1165	
BX	Thayer Pat. 322,997	1171	1166		1177
BY	Graham's time record	1203	1203	1203	
BZ	Schmeiding affidavit	1304	1182		1182
CA	Bean Affidavit	1304	1183		1183
CB	Fulwider affidavit	1304	1183		1183

SILBERMAN #2,437,793

CLAIM 40.

IN APPARATUS FOR FORMING SLIDE FASTENER STRINGERS,
THE APPARATUS
INCLUDING

1. A BASE,
2. A RAM
MOVABLE WITH RELATION TO THE BASE,
3. MEANS
FOR FEEDING A SUBSTANTIALLY UNIFORM METALLIC
STRIP BETWEEN THE RAM AND THE BASE,
4. MEANS
FOR FEEDING A TAPE IN A FIXED PATH
PAST THE END OF THE FED STRIP,
5. THE RAM AND THE BASE HAVING COMPLEMENTARY MEANS
FOR FORMING AND SEPARATING A SLIDE
FASTENER ELEMENT FROM THE FED STRIP,
6. A PAIR OF JAWS
ON THE BASE
IMMEDIATELY AT THE POSITION OF THE SEPARATING MEANS,
THE JAWS BEING DISPOSED ON EITHER SIDE OF THE TAPE
AND BEING SLIDABLE TOWARD EACH OTHER
FOR ENGAGING AND CLOSING THE ELEMENT UPON
THE EDGE OF THE TAPE AS IT IS SEPARATED
FROM THE STRIP,
7. AND MEANS
ON THE RAM
FOR ENGAGING THE JAWS TO DRIVE THEM
INTO ENGAGEMENT WITH THE ELEMENT
TO CLOSE IT UPON THE EDGE OF THE TAPE,
8. THE JAWS AND THE JAW ENGAGING MEANS HAVING CAM FACES
FOR DIRECT ENGAGEMENT.

PLATE 1

PLATE 2

PLATE 3

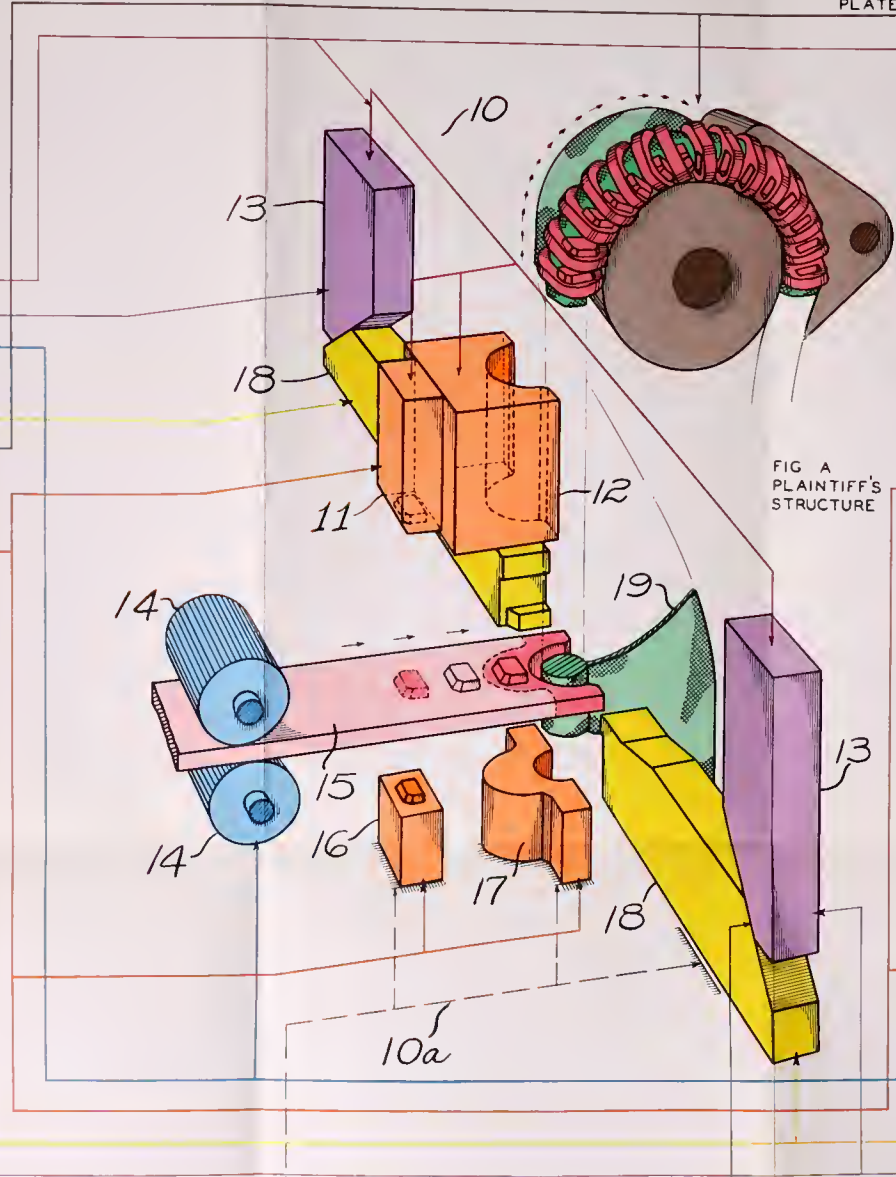


FIG A
PLAINTIFF'S
STRUCTURE

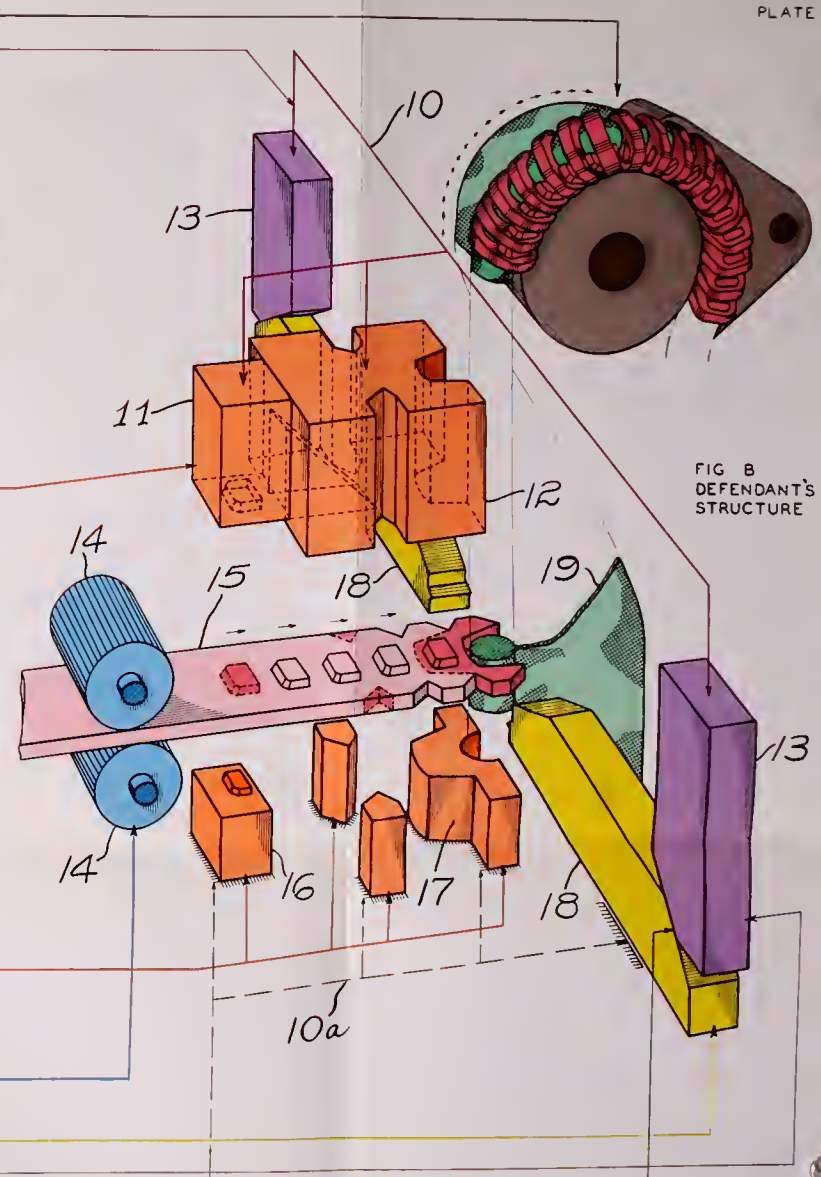


FIG B
DEFENDANT'S
STRUCTURE

